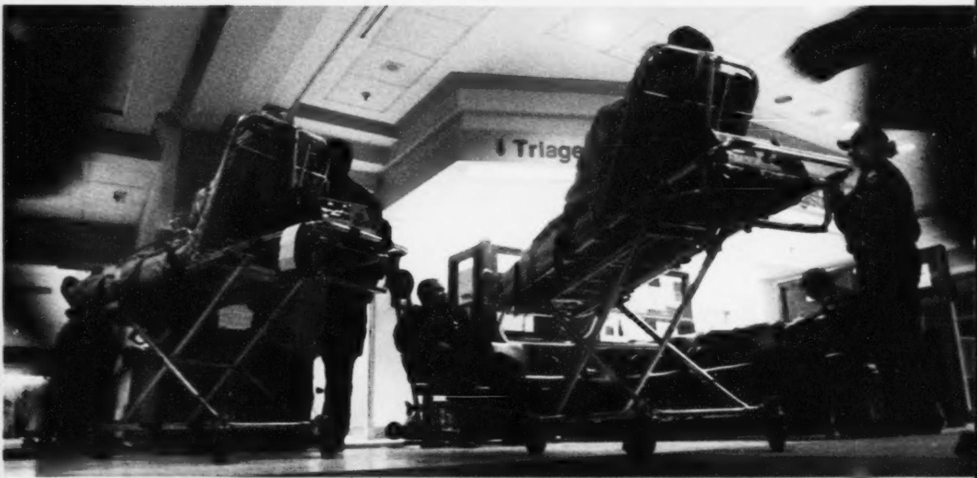
2010 Annual Report



Office of the
Auditor General
of Ontario

Office of the Auditor General of Ontario

To the Honourable Speaker
of the Legislative Assembly

In my capacity as the Auditor General, I am pleased to submit to you the *2010 Annual Report* of the Office of the Auditor General of Ontario to lay before the Assembly in accordance with the provisions of section 12 of the *Auditor General Act*.

Jim McCarter, FCA
Auditor General

Fall 2010

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Chapter 1

Auditor General's Overview and Audit Summaries

Déjà Vu

In this introduction to my eighth Annual Report to the Legislative Assembly, I wanted to provide an overview of the work done by my Office over the past year, and to comment on the significant evolution of the work of the Office over time. But I first wanted to present a few thoughts about the challenges facing Ontario over the next decade:

- The challenges government faces today are dramatically different from those it faced 10 years ago. It is reasonable to expect that the challenges of the next decade will also be very different, more complex, and more demanding than those which face us today.
- In a world of accelerating change, the managers of government cannot presume that the objectives and means of attaining them, which were perfectly valid in the past, will necessarily be valid in the future. And, as patterns of life change, government must be able to react by applying its resources to solving pressing, current problems and not perpetuating services and programs for which there may no longer be a real need.
- The core of sound decision-making is good information. In government, where decisions have far-reaching implications, the means of obtaining and effectively using information are of critical importance as tools for management.
- Since most major revenue sources have now been tapped, the emphasis must shift from finding new sources to making the best uses of existing ones.

I wish I could take credit for these pragmatic observations. In fact, all four comments are taken verbatim from reports issued by Ontario's Committee on Government Productivity—four decades ago. Good ideas, it would appear, never go out of style.

More recently, albeit still 15 years ago, we interviewed some MPPs for a section of our *1995 Annual Report* dealing with the Estimates Review Process. One of them told us:

> Decision-making in the government is more difficult today than ever. Funds are lacking which are necessary to sustain what was put in place 30 years ago. Therefore, we are operating in an environment of lowering costs in the future. Tough decisions will have to be made in this environment.

Looking back at these observations, I was struck by a sense of déjà vu. With escalating deficits and significant growth in the provincial debt, people recognize that tough decisions lie ahead. But the province has faced tough situations before. I am confident that our elected members will, regardless of their political party, continue to meet

Ontario's challenges head-on as they have in the past—especially if an objective hearing is given to all points of view. As one MPP noted in our *1995 Annual Report* dealing with the possible benefits of a less partisan approach to the Estimates Review Process that was being considered in another jurisdiction:

> There is a lot of talent on all sides of the House which this approach could tap into. Also, the approach might take the partisanship out of the current process and this would be extremely positive.

Realistically speaking, it would probably be about as easy to take the partisanship out of politics as it would to turn lead into gold. It is nonetheless interesting to note that the results produced by two committees that I am familiar with—the Standing Committee on Public Accounts over the years and the recent Select Committee on Mental Health—have worked in a largely non-partisan manner and are good examples of effectively using the "talent on all sides of the House" to benefit the people of Ontario.

Expanding Our Reach to Enhance Legislative Oversight

With the Office's 125th anniversary coming up in March 2011, I thought it would be useful to give readers some idea of how the work of the Office has changed over time, and particularly over the last few decades.

Up until about 40 years ago, the principal responsibility of the Auditor's Office was to pre-approve all provincial expenditures before they could be paid. Then the same Committee on Government Productivity mentioned in the previous section made the following recommendation in the early 1970s:

> [I]t would be desirable to provide for more effective post-auditing of the accounts of the Province. We recommend that consideration be given to ... allowing the Provincial Auditor to post-audit the accounts.

The Legislature accepted the recommendation and amended the *Audit Act* in 1971 to transfer to the various ministries the Office's existing responsibilities for pre-approving expenditures. The Office would now check the accounts *after* the ministries had spent the money. Essentially, the government's job would be to approve expenditures and keep the books, and the Auditor's job would be to determine whether those accounts and financial statements fairly presented the fiscal results for the year.

In the couple of years that followed, Bill Groom was credited with transforming the Auditor's Report from a dry verification of accounts into an examination of government spending practices while he was Assistant Provincial Auditor and during his very brief time as Provincial Auditor. Tragically, Mr. Groom and his wife were killed in a 1973 car accident less than six months after he became Provincial Auditor.

Under Norm Scott's tenure as Provincial Auditor, the *Audit Act* was amended in 1978 to include a new concept called value-for-money auditing, which gave the Office the authority to go beyond—far beyond—mere verification of accounting records. Instead, the Office could now assess how economically and efficiently government programs were being delivered, and whether ministries had adequate procedures in place to measure program effectiveness.

The task of going where few auditors had gone before fell first to Mr. Scott, who took the first step toward examining the operation of government programs on a value-for-money basis. When Doug Archer became Provincial Auditor in 1982, it was clear that he saw the potential of value-for-money auditing. Under his leadership, an increasing share of Office resources was devoted to implementing this new audit concept. The Standing Committee on Public Accounts was also an early supporter; it saw the benefits of the Auditor providing an objective assessment of the operation of government programs rather than just an opinion on whether the accounting debits and credits had been properly tallied.

When Erik Peters succeeded Doug Archer in 1993, he introduced the concept of incorporating formal recommendations with management responses into every value-for-money audit, a practice that continues today.

Over time, it became apparent that the 1978 value-for-money amendment overlooked one important area: it excluded broader-public sector organizations from the value-for-money process. These provincially funded organizations—hospitals, school boards, universities and colleges, and social-service agencies such as Children's Aid Societies—account for about half of all government expenditures. Thus, we viewed their exclusion from scrutiny by the Legislature's spending watchdog as a significant limitation and expressed that concern for a number of years.

In late 2003, the then Minister of Finance informed me that the government was prepared to support an expansion of our mandate to address this issue. The Legislature subsequently unanimously supported passage of the *Auditor General Act*, the most significant provision of which allowed us to conduct value-for-money audits in broader-public-sector organizations.

Since then, the Office has moved aggressively into its expanded mandate. We have conducted value-for-money work across the entire spectrum of the broader public sector, including hospitals, school boards, universities and colleges, Community Care Access Centres, Children's Aid Societies, long-term-care homes, mental-health agencies, and a variety of social-service organizations. We have also ventured into corporate entities of the Crown, including eHealth Ontario, Hydro One, Ontario Power Generation, and the Ontario Clean Water Agency. It has been a challenge for staff in our Office to examine such areas as electronic health records, emergency rooms, operating-room management, and special education—areas one might suspect are outside the usual purview of accountants. But in my admittedly less than totally objective opinion, it was a challenge well met.

One pleasant surprise has come from the organizations we have audited in the broader public sector. Initially, and perhaps understandably, these organizations were not exactly thrilled with our new powers to look into their operations. However, we have found them to be both co-operative and helpful when we have come knocking. The progress we have made would not have been possible without the co-operation of staff at these organizations, and their willingness to work with us as we focused on addressing systemic problems and identifying best practices in Ontario and elsewhere that should be considered. We also benefited from the strong support of the Standing Committee on Public Accounts as we expanded our value-for-money work into the broader public sector.

I suspect that the members of the Committee on Government Productivity never expected 40 years ago that their recommendations would help change the work of the Legislature's Auditor so fundamentally. Had they been able to glimpse the future, I like to think that they would have been pleased with what they saw.

This Year's Audit Work

FINANCIAL AUDITS

Our value-for-money audits tend to get the attention of the Legislature, the media, and the public. However, the conduct of financial audits remains one of our most critical legislative responsibilities. The objective of these audits is to express opinions on whether the financial statements of the province, as well as those of such Crown agencies as the

LCBO, the Ontario Securities Commission, Legal Aid Ontario, and others, have been presented fairly. Just as corporate shareholders in the private sector want independent assurance that a company's financial statements fairly reflect its operating results and its balance sheet, the public wants the same assurances about public-sector entities.

I am pleased to report that for the 17th straight year, the Office was able to provide assurance to the Legislature and the public that the government-prepared consolidated financial statements of Ontario—the largest audited entity in the province—are fairly presented in accordance with generally accepted accounting principles. The results of this work are discussed in Chapter 2.

Similarly, I can report that we concluded that the financial statements of all the Crown agencies we audited this year were also fairly presented.

VALUE-FOR-MONEY AUDITS

This section provides a brief overview of this year's value-for-money audits, reported on both in this Annual Report and in two Special Reports issued earlier this year, followed by summaries that provide a brief overview of the results of each audit not yet reported on during the year.

Health-Care Sector

We put a heavy emphasis this year on the health-care sector for two reasons: expenditures in this sector currently account for more than 40% of total government spending, and concerns have persisted for years about wait times in hospital emergency rooms and for elective surgery and beds in long-term-care homes. Accordingly, we conducted four distinct health-related audits:

- *Hospital Emergency Departments:* Contrary to the widespread public perception, our audit found that long wait-times in hospital emergency rooms have more to do with delays in freeing up in-patient beds than with walk-in patients who had minor ailments.
- *Discharge of Hospital Patients:* In 2009, more than 50,000 hospital patients who could have been discharged endured longer-than-necessary hospital stays due to delays in arranging post-discharge care, and these delays accounted for 16% of the total days all patients stayed in Ontario hospitals.
- *Home Care Services:* Funding decisions for home-care services tend to be made on historically based allocations rather than on assessments of current client needs, which creates the risk that people with similar needs may not receive similar levels of care depending on where in Ontario they live.
- *Organ and Tissue Donation and Transplantation:* Initiatives by the Trillium Gift of Life Network, donor and transplantation hospitals, and the Ministry of Health and Long-Term Care have led to an increase in the number of donors, but certain changes could be made to reduce wait times for organs.

Ensuring and Enforcing Fairness

We conducted four audits of programs intended to protect the rights of people and ensure that the principle of fairness prevails:

- *Family Responsibility Office:* The Office must take more aggressive enforcement action, enhance its case-management process, and improve its information technology and communications systems if it is to be effective in enforcing spousal and child support payments resulting from marriage breakdowns.
- *School Safety:* While initiatives are being taken to ensure children are safe from physical and psychological threats in their learning environment, insufficient information is available on the effectiveness of such initiatives.
- *Municipal Property Assessment Corporation:* While municipalities are generally satisfied with the assessment-roll information provided, the assessed value of one in eight properties

sampled differed from the fair market value by more than 20%.

- *Casino Gaming Regulation:* Casino and slot-machine patrons can rely on the controls and oversight mechanisms in place to ensure gaming equipment and table games of chance are operating fairly and honestly.

Protecting and Investing in the Province's Resources

We conducted three audits relating to the government's role in protecting public resources and assets:

- *Non-Hazardous Waste Disposal and Diversion:* The residential sector—but not the business sector—is making headway in protecting our environment by increasing the amount of non-hazardous waste that can be diverted through reducing, reusing, or recycling rather than being dumped in landfills.
- *Infrastructure Stimulus Spending:* Although efforts were made to establish appropriate procedures to quickly distribute billions in federal–provincial economic stimulus funding, improvements can be made to enhance the effectiveness of any such future stimulus programs.
- *Infrastructure Asset Management at Colleges:* Ongoing funding for the maintenance of the province's multi-billion-dollar investment in aging college infrastructure has not been sufficient to reduce the backlog of required maintenance needs.

SPECIAL AUDITS

The *Auditor General Act* allows us to undertake audit work requested by the Legislative Assembly, the Standing Committee on Public Accounts, or a Minister of the Crown. This year, we issued two such special audits:

- *OLG's Employee Expense Practices:* After information about employee expense reports of senior executives of the Ontario Lottery and Gaming Corporation (OLG) obtained through a freedom-of-information request led to the dismissal of the OLG's chief executive officer and the resignation of the entire board of directors, the Minister of Finance requested an audit of OLG employee expenses. The report was tabled in the Legislature on June 1, 2010.
- *Consultant Use in Selected Health Organizations:* This audit, requested in a unanimous motion of the all-party Standing Committee on Public Accounts, was a major assignment that included work at 16 hospitals, three Local Health Integration Networks, and the Ministry of Health and Long-Term Care. The report was tabled in the Legislature on October 20, 2010.

Both special reports can be found on the Office's website at **www.auditor.on.ca**.

RESPONSIBILITIES UNDER THE GOVERNMENT ADVERTISING ACT

The *Government Advertising Act, 2004* requires our Office to review most proposed government advertising in advance of their being broadcast, published, or displayed. We are responsible for ensuring that such advertisements meet certain prescribed standards and do not promote the governing party's partisan political interests by fostering a positive impression of the government or a negative impression of any person or group critical of the government.

In the 2009/10 fiscal year, we reviewed 600 advertisements. A full discussion of our work in this area can be found in Chapter 5.

3.01 CASINO GAMING REGULATION

Under the *Criminal Code* of Canada, provinces have responsibility for regulating, licensing, and operating legal forms of gaming. In Ontario, two Crown agencies, with different responsibilities and an arm's-length relationship, oversee casino gaming. The Alcohol and Gaming Commission of Ontario (Commission), as the "regulator," has a mandate to regulate, license, and inspect gaming facilities, and to enforce gaming legislation. The Ontario Lottery and Gaming Corporation (OLG), as the "operator," builds, manages, and operates, either directly or with private-sector operators, Ontario's 27 casinos and slot-machine facilities at horse racetracks.

OLG directly operates 22 casino gaming facilities, including 17 "slot facilities" at racetracks that only have slot machines and five casinos with both table games and slot machines. It contracts private-sector operators to run day-to-day operations of one smaller casino and its four large "resort casinos." These offer more gaming options, higher wagering limits, and amenities such as hotels, entertainment venues, and meeting and convention areas.

Casino and slot facility customers expect that slot machines actually pay out the regulated minimum payout amount. Casino patrons who participate in table games, such as blackjack or craps, want assurance that casino employees are honest, effectively overseen, and that the games are fairly run. The general public also expects casinos and slot facilities to be run fairly and honestly.

In our audit of the Commission, we concluded that it had adequate systems, policies, and procedures to achieve this. The Commission's gaming equipment testing lab and gaming enforcement procedures were sufficient to ensure the fair operation of gaming equipment, and this was confirmed by an independent accredited gaming testing lab we hired. Our research of other jurisdictions and advice from external experts also indicated that Ontario's regulatory framework for casinos offers one of the strongest oversight mechanisms in North America.

However, we noted areas where the Commission's oversight procedures and gaming transparency could be enhanced including:

- Slot machine patrons are very interested in the actual payout ratio and whether these payout percentages vary depending on the machine type. Some U.S. jurisdictions provide this information, yet Ontario does not.
- We noted that patrons would find it difficult to locate information on the maximum prize payout on certain slot machines—an important disclosure should the machine malfunction and award an erroneous multi-million dollar jackpot, as has occurred twice in the last two years. In addition, the Commission does not require casinos to post the odds of winning a jackpot on slot machines.
- The Commission sets no minimum training standards for key gaming employees, such as table dealers and surveillance staff, to ensure that they are aware of the rules and procedures they must follow and for identifying criminal activities and problem gamblers.
- In 2008/09, commission inspectors at three of four gaming facilities could not fulfill their goal of annually inspecting all slot machines, and gaming audit and compliance inspectors were behind schedule in verifying gaming facilities complied with approval requirements and their internal control manuals.
- In determining registration eligibility for suppliers, the Commission had no policy for dealing with conflict-of-interest situations involving related employees working in the same casino. It relied on casino and slot facility operators to deal with these situations.

On a somewhat related issue, Ontario residents currently spend an estimated $400 million annually on foreign-based Internet gaming websites. These foreign gaming operators do not provide the province with a share of these revenues and, unlike certain other international jurisdictions, the Commission does not have a mandate to regulate such Internet gaming.

3.02 DISCHARGE OF HOSPITAL PATIENTS

During the last five years, over 1 million patients were discharged annually from Ontario hospitals. More than 20% required support and care after they were discharged. Such support can include home care (for example, nursing and personal-care services such as bathing); services provided by rehabilitation and palliative-care facilities; and ongoing care provided in long-term-care homes or complex continuing care facilities. Community Care Access Centres (CCACs) are responsible for assessing eligibility and arranging for both home care and access to a long-term-care home.

Remaining in hospital longer than medically necessary can be detrimental to patients' health and prevent other patients from accessing the hospital bed, and it is more expensive than community services. As a result, the Ministry of Health and Long-Term Care, hospitals, and CCACs have introduced a number of initiatives to facilitate the discharge of patients from hospital.

The three hospitals we visited were managing their discharge processes well in some areas and were changing other processes to improve patient flow. Yet all the hospitals had other areas where practices could be improved. Further, in 2009, over 50,000 patients ready to be discharged waited in hospital due to delays in arranging post-discharge care (also known as waiting for an alternate level of care, or ALC). The total days ALC patients were hospitalized has increased by 75% over the last five years and now represents 16% of the total days patients were hospitalized in Ontario. However, no one, such as the Local Health Integration Networks, the CCACs, or the hospitals, was ensuring that community-based services, including home care and long-term care, were available when patients were ready to be discharged from hospital.

Other significant observations included:

- Although quick multidisciplinary team meetings on discharge planning activities were held at the three hospitals, physicians attended these meetings at only one hospital, and CCAC representatives attended most meetings at only one other hospital.
- A ministry expert panel recommended that hospital physicians prepare a discharge summary to communicate patient information, such as follow-up appointments, pending test results, and medication changes, to subsequent health-care providers. Although discharge summaries were generally prepared, one hospital's were done significantly late. At all three hospitals, a recommended reconciliation of medications on admission versus discharge was often not prepared, increasing the risk of subsequent medication errors.
- At the hospitals we visited, less than 10% of total discharges to long-term-care, complex continuing care, and rehabilitation facilities occurred on weekends because many of these facilities would not accept patients then.
- Wait times in hospital for ALC patients varied significantly across the province. For example, for hospitals in the North West LHIN, 90% of discharged ALC patients were placed within 27 days of being designated ALC versus 97 days in the North East LHIN.
- There were minimal guidelines on how long it should take from hospital referral to patient placement in a long-term-care home. Of ALC patients waiting province-wide, 90% were placed in long-term-care homes within 128 days, with 50% placed within 30 days.
- Long-term-care homes rejected between 25% and 33% of applications because patients required too much care or had behavioural problems. Accepted applicants were often just added to a lengthy wait-list. On the other hand, patients often did not want to go to homes with short or no wait-lists because they were often older facilities or were far away from family.

3.03 FAMILY RESPONSIBILITY OFFICE

All court orders for child and spousal support are automatically filed with the Family Responsibility Office (Office), whose job it is to enforce family-support obligations—aggressively if necessary—and remit support payments to their intended recipients on a timely basis.

The Office's clients are among society's most vulnerable; nearly 20,000 people who have their support orders enforced by the Office also collect social assistance, often because their former partners failed to pay spousal or child support.

Enforcing court orders for spousal and child support can be difficult, and the most problematic cases generally end up with the Office. While acknowledging this, our 2003 audit concluded that the Office was in danger of failing to meet its mandated responsibilities. The Office agreed with our 2003 recommendations to improve service delivery.

However, after our audit this year, we again concluded that the Office has not yet been as successful as it should be in achieving its mandate of collecting unpaid child and spousal support payments. As a result, the Office must take more aggressive enforcement action, enhance its case-management process, and improve its information technology and communications systems. As well, management must work to instill a culture of achievement to make the needed changes.

Our significant findings included:

- The Office was slow in following up, where necessary, and in registering completed court orders for family support. Such delays make cases in arrears much more difficult to enforce and can result in undue hardship on recipients awaiting support payments.
- Although the Office now assigns responsibility for each case to an individual enforcement services officer, this case-ownership model continues to have significant shortcomings, including that payers and recipients do not have direct access to their assigned officer.
- Call volumes at the Office's toll-free call centre are so high that nearly 80% of calls never get through. Of those that do, one in seven callers hangs up before the call is answered.
- The status of almost one-third of outstanding bring-forward notes—intended to trigger specific action on a case within one month—was "open," indicating either that the notes had been read but not acted upon, or that they had not been read at all.
- For ongoing cases, the Office took almost four months from the time the case went into arrears before taking its first enforcement action. For newly registered cases that went straight into arrears, the delay was seven months from the issue of the court order.
- The Office acts in only one in four or one in five cases each year to, for example, take enforcement action, update case information, or track down delinquent payers.
- The Office has no quality control process or effective managerial oversight to assess whether enforcement staff have made reasonable efforts to collect outstanding amounts.
- The Office could not provide us with a detailed listing by individual account that added up to $1.6 billion, which was the figure provided to us as the total outstanding arrears as of December 31, 2009.
- The statistical information supplied monthly to the Ministry of Community and Social Services did not provide a useful summary of the Office's successes and failures in collecting outstanding support payments or in achieving its other key operational objectives.
- Security weaknesses in the Office's information technology system put sensitive personal client information at risk.
- On a positive note, accounting controls covering payments from support payers and the subsequent disbursement to intended recipients were generally satisfactory, and most support payments were disbursed within 48 hours of receipt.

3.04 HOME CARE SERVICES

Community Care Access Centres (CCACs) provide home care services to Ontarians who, without these services and supports, might need to stay in hospitals or long-term-care facilities. Home care also assists frail, elderly people and people with disabilities to live as independently as possible in their own homes.

Generally, CCACs contract with service providers for home care services rather than provide those services directly. The CCACs assess potential clients for eligibility and approve provision of professional services, such as nursing, physiotherapy and social work; as well as personal support and homemaking services, such as assistance with daily living. CCACs also authorize admissions to long-term-care homes.

There are 14 CCACs in Ontario, each of which reports to one of the province's 14 Local Health Integration Networks (LHINs). The LHINs, in turn, are accountable to the Ministry of Health and Long-Term Care. During our audit, we conducted visits to three of the 14 CCACs and surveyed the other 11.

The Ministry of Health and Long-Term Care has recognized that enhancing home care services offers both cost savings and quality-of-life benefits by allowing people to remain in their homes. Home care funding has increased substantially since our last audit in 2004, and independent CCAC client satisfaction surveys indicate that home care clients are generally satisfied with the services they receive.

However, some of the main concerns expressed in our previous audits of the home care program, in 2004 and 1998, remain. Among our significant findings:

- Per capita funding varied widely among the 14 CCACs, resulting in funding inequities. Total funding to CCACs has not been allocated on the basis of specific client needs, or even on a more general basis that takes into account such local needs as population size, age and gender of clients, or rural locations.
- Although ministry policy requires CCACs to administer programs in a consistent manner to ensure equitable access no matter where clients live, funding constraints meant that one of the three CCACs we visited had prioritized its services so that only those individuals assessed as high-risk or above would be eligible for personal support services, such as bathing, changing clothes, and assistance with toileting. Clients assessed as moderate-risk in this CCAC were deemed not eligible, while they would have been eligible in the other two.
- Eleven of the 14 CCACs have some form of wait-list for various home care services. The other three CCACs said that they had no wait-lists at all. This is another indicator of a possibly inequitable distribution of resources among the 14 CCACs.
- In the absence of standard service guidelines, each CCAC has developed its own guidelines for frequency and duration of services. As a result, the recommended time allocation for each task and the recommended frequency of visits varied, indicating that the level of service may vary from one CCAC to another.
- Although CCACs have made progress in implementing a standardized initial client-care assessment tool, these assessments were often not done on a timely basis.
- Only one of the CCACs we visited conducted routine, proactive visits to its service providers to monitor the quality of care they delivered.
- CCACs expressed concern that they were not able to procure services from external service providers competitively. The Ministry has asked them to suspend the competitive procurement process on three occasions since 2002, and, at the time of our audit, the process was still suspended. This has contributed to significant differences in rates paid to service providers for similar services.
- The 14 CCACs have made progress in implementing an updated case management information system to provide useful information to help measure and improve performance.

3.05 HOSPITAL EMERGENCY DEPARTMENTS

Overcrowding and long waits in hospital emergency departments have been common complaints for a number of years. The public suspects that this is caused by inappropriate use of emergency by walk-in patients with minor ailments and poor management by hospitals, including chronic understaffing of the emergency department.

However, our work at three hospitals we visited, as well as the responses from the hospitals we surveyed, indicated that the lack of available in-patient beds for emergency patients requiring hospitalization probably had a more significant impact on emergency crowding and wait times. Two major factors influence the lack of available in-patient beds: hospital beds being occupied by patients awaiting alternative care in a community-based setting, and less than optimal practices by hospitals in managing and freeing up in-patient beds.

The Ministry of Health and Long-Term Care (Ministry) has sponsored expert panels and other initiatives on emergency-department wait times. Additional funding of $200 million has been provided over the last two fiscal years to address the issue. And while the Ministry and the hospital community have been actively attempting to address the problem, emergency-department wait times had not yet shown significant improvement or met provincial targets, especially for patients with more serious conditions.

Some of our more significant observations were:

- The Canadian Triage and Acuity Scale (CTAS) guidelines recommend that patients be triaged (prioritized according to the urgency of their illness or injury) within 10 to 15 minutes of arrival at the emergency department. Yet at all three hospitals we visited, some patients waited more than an hour to be triaged.
- In about half of the triage files reassessed by nurse educators, the CTAS levels originally assigned by triage nurses were found to be incorrect. Of these, the majority were under-triaged, underestimating the severity of the patients' illnesses or injuries.
- Provincially, only 10% to 15% of the patients with emergent and urgent conditions were seen by physicians within the recommended timelines, and sometimes waited for more than six hours after triage before being seen by nurses or physicians.
- At the three hospitals we visited, the timeliness of accessing specialist consultations and diagnostic services affected emergency patient flow. More than three-quarters of the hospitals that responded to our survey indicated that limited hours and types of specialists and diagnostic services available on-site were key barriers to efficient patient flow.
- At the time of our audit, emergency-department patients admitted to in-patient units spent on average about 10 hours waiting for in-patient beds. Some waited 26 hours or more. Delays in transferring patients from emergency departments frequently occurred because empty beds had not been identified or hospital rooms cleaned on a timely basis.
- Two of the three hospitals we visited had difficulty finding staff to fill nursing schedules, especially for night shifts on weekends, and holidays. A number of emergency-department nurses worked significant amounts of overtime or took extra shifts, leading to additional costs and increasing the risk of burn-out.
- Paramedics often had to stay in emergency departments for extended periods of time to care for patients waiting for emergency-department beds or until emergency-department nurses could accept them.
- About half of emergency-department visits were made by patients with less urgent needs, who could have been supported by alternatives such as walk-in clinics, family doctors, and urgent-care centres.

3.06 INFRASTRUCTURE ASSET MANAGEMENT AT COLLEGES

For the past 10 years, the Ministry of Training, Colleges and Universities (Ministry) has provided Ontario's 24 colleges of applied arts and technology with facility renewal funding of $13.3 million annually, supplemented by periodic additional allocations for renewals totalling $270 million over the last 10 years.

In addition to providing funding to assist colleges in maintaining their facilities, the Ministry provides capital grants to enhance and expand the physical infrastructure. In recent years, the Ministry provided this funding primarily for new facilities to increase facility capacity to allow colleges to accept more students.

In 2009, the federal government initiated the Knowledge Infrastructure Program (KIP), a two-year infrastructure program for Canadian colleges and universities. At the same time, the 2009 Ontario Budget announced the province would support infrastructure enhancement at colleges and universities. The federal and provincial governments together have provided capital grants to colleges totalling $300.5 million between the 2006/07 and 2009/10 fiscal years.

Colleges have benefitted from this new-facility capital funding to create short-term employment and to increase student capacity. However, ongoing funding for maintenance of existing facilities has not been sufficient to maintain the aging college infrastructure, and the backlog of deferred maintenance is increasing.

As a result, the Ministry and colleges will continue to face infrastructure challenges. Some of our more significant observations were:

- The Ministry was in the process of implementing a long-term capital planning process but did not have a formal plan in place at the time of our audit for overseeing investment in the colleges' infrastructure.
- Many colleges have not maintained their asset management systems to facilitate effective capital planning and performance reporting on the condition and use of their capital infrastructure.
- As of April 2010, the deferred maintenance backlog, or the cost to perform needed maintenance and repairs, exceeded $500 million and has been increasing annually. Data also indicated that more than $70 million in capital repairs are in the critical category and should be dealt with in the next year.
- As of April 2010, about half of the college system's infrastructure assets were likely in poor condition, as rated according to a recognized industry standard that measures the state of infrastructure.
- Applying the funding guideline of 1.5% to 2.5% of asset replacement cost outlined by the (U.S.) Association of Higher Education Facilities Officers, annual ministry funding to all colleges over the last four fiscal years would have been in the $80 million to $135 million range. However, actual capital renewal funding has remained at $13.3 million annually for many years, and even when the periodic additional funding of $270 million is included, this adds up to only about half of this guideline amount.
- Administrators at all of the colleges we visited indicated they had to supplement ministry renewal funds with operating funds to help address their most urgent priorities and manage the risk of assets deteriorating prematurely.
- Until very recently, ministry funding decisions often lacked transparency and consistent criteria to evaluate funding requests, and there was insufficient documentation to demonstrate compliance with eligibility criteria.

3.07 INFRASTRUCTURE STIMULUS SPENDING

Like other governments facing the 2008 global economic crisis, the Canadian government adopted economic-stimulus measures, announcing in January 2009 its Economic Action Plan to support infrastructure projects and create jobs. The federal government would provide approximately $3.45 billion to Ontario for these programs, with matching contributions from the province and eligible recipients—municipalities, First Nations, and not-for-profit organizations—resulting in more than $8 billion in infrastructure spending across the province.

These programs targeted construction-ready projects that would not otherwise have been built as quickly and required that they be substantially completed by March 31, 2011. Priority was also to be given to those that planned to spend 50% or more of the funds by March 31, 2010, the end of the programs' first year.

Our audit focused on three programs that together accounted for about $3.9 billion in total federal-provincial short-term infrastructure commitment.

We found that, as of March 31, 2010, less than $510 million, or only about 16% of the $3.1 billion that had been committed by the federal and provincial governments, had actually been spent. According to the job-creation model used by the Ministry of Energy and Infrastructure (MEI), the three programs we examined would create and preserve about 44,000 jobs (each job was defined as one person-year of employment). But given the low level of actual spending, only about 7,000 jobs were estimated to have been created or preserved during the first year of the two-year program.

We noted that significant efforts were devoted to establishing the appropriate systems and processes to distribute funds within tight deadlines. However, there were a number of areas where improvements could be made to similar future programs involving tight timelines, including:

- MEI placed no limit on the number of applications that municipalities with populations of more than 100,000 could submit under the largest of the three infrastructure programs. This provided an incentive to submit large numbers of applications in hopes of getting as many approved as possible. For example, four municipalities submitted a total of almost 1,100 applications, accounting for 40% of the applications submitted by the 421 municipalities for this program.
- Due to the tight deadlines, often only one to two days were allotted for the provincial review of a large number of one program's applications, making it unlikely that appropriate due diligence could be carried out.
- Applicants were not required to prioritize their infrastructure needs, and none did in their applications, making it more difficult to assess the benefits of the proposed projects and make informed funding decisions. As well, technical experts were generally not involved in reviewing the reasonableness of project cost estimates and timelines.

After assessment by civil servants, the applications were submitted to the office of Ontario's Minister of Energy and Infrastructure and to his federal counterpart for final review and approval. We noted that there was a general lack of documentation to support the decisions about which projects were approved and which were not. In some cases, ministers' offices approved projects that civil servants had earlier deemed ineligible or about which they had flagged concerns.

Finally, because only 16% of the committed funds had been spent after the first year, many recipients indicated they had to adjust project specifications and cost estimates in the original applications, pay contractors overtime, and sole-source some contracts to try to meet the March 31, 2011 deadline.

3.08 MUNICIPAL PROPERTY ASSESSMENT CORPORATION

The determination of the market value of a property is critical because it ultimately determines how much property tax an owner must pay. In Ontario, this tax is calculated by multiplying a property's assessed market value by the municipal tax rate.

On December 31, 1998, the province transferred the responsibility for determining the assessed value for properties to the Ontario Property Assessment Corporation, later renamed the Municipal Property Assessment Corporation (Corporation). The primary responsibility of the Corporation's 1,600 employees is to prepare an annual assessment roll for each local municipality.

From the perspective of a property owner, it is reasonable to expect that each property will be assessed within a range that is reasonably close to its fair market value—the most likely sale price between a willing buyer and seller. That is also the position of the Corporation and Ontario's Assessment Review Board, the independent tribunal that hears appeals from people who believe their properties are incorrectly assessed or classified.

To get an indication of whether the Corporation's mass-appraisal system achieved this objective, we compared the sale prices of 11,500 properties identified as having been sold at arm's length in 2007 and 2008 to their assessed value as of January 1, 2008. We found that in 1,400 of these cases, or one in eight, the assessed value differed from the sale price by more than 20%. In many cases, the selling price was substantially higher or lower than the property's assessed value.

The Corporation acknowledges that some individual property assessments may not reflect the current or fair-market property-value range as indicated by a sale price. These variations most often occur because it does not have up-to-date property data from a property inspection, nor does it routinely investigate large differences between sale prices and assessed values. As a result, some property owners may be over- or under-assessed, and therefore pay more or less than their fair share. However, it will be of little solace to property owners who are over-assessed relative to neighbouring properties, and therefore pay more than their fair share of tax, to know that the system got it right for their neighbours but not for them.

More frequent property inspections and timely sales investigations should reduce the differences between assessed values and sale prices. Nevertheless, our discussions with the Association of Municipalities of Ontario indicated that municipalities were generally satisfied with the assessment-roll information the Corporation provides.

We identified a number of areas where improvements are needed with respect to the Corporation's collection of information essential for accurate and consistent property-tax assessments. The significant issues included the following:

- In the 1,400 cases in which we found the sale price differed by more than 20% from the assessed value, the Corporation had not investigated the reasons for these differences or made any adjustments to the assessed value of these properties where warranted.
- We found almost 18,000 building permits with a total value of about $5.1 billion as of December 31, 2009, for which the Corporation had failed to inspect the corresponding properties within the statutory period for reassessing property and levying tax.
- Although the Corporation's target is to inspect each property in the province at least once every 12 years, the actual inspection cycle would at best be 18 years, assuming current staffing levels and no further growth in the number of residential properties.
- The Corporation began work on a new computer system in 2000, but the system was not yet fully functional, and costs incurred to date exceeded $50 million, compared to an original budget of $11.3 million.
- While the Corporation had established good policies for acquiring goods and services, it often did not comply with its own policies.

3.09 NON-HAZARDOUS WASTE DISPOSAL AND DIVERSION

Non-hazardous waste, including non-recyclable and recyclable materials generated by households and businesses, is managed either by disposal or diversion.

Approximately 12.5 million tonnes of non-hazardous waste is generated in Ontario annually. The industrial, commercial, and institutional (IC&I) sector generates about 60% of this waste, and households—the residential sector—generate 40%.

Disposal of non-hazardous waste involves depositing it in landfills, or using such means as incineration. About two-thirds of the province's waste managed through disposal is deposited in landfills in Ontario and most of the remaining waste is shipped to landfills in the United States (mainly in Michigan and New York State). Only about 1% is incinerated. Diversion of non-hazardous waste can be achieved through reducing, reusing, or recycling.

Municipal governments are generally responsible for managing waste generated by the residential sector. The IC&I sector and most multi-unit residential buildings are responsible for managing the waste they produce.

The Ontario government, primarily through the Ministry of the Environment (Ministry), is responsible for setting standards for the management of non-hazardous waste and for enforcing compliance.

Based on the latest information available at the time of our audit, the combined diversion rate of waste generated by the residential and IC&I sectors was about 24%. Ontario ranks sixth among the provinces and is well behind most European jurisdictions, considered leaders in waste diversion. Many of the issues that the government identified in 2004 as keys to achieving its goal of 60% waste diversion by the end of 2008 have yet to be successfully addressed.

Our significant observations included the following:

- Although municipalities' overall diversion rate for residential waste is about 40%, individual municipalities' diversion rates reported to us varied significantly, from about 20% to more than 60%. This is mainly due to differences in the frequency and quantity of disposable waste collection and in blue box recyclable materials that are collected. Only about 15% of Ontario's municipalities have instituted organic waste-composting programs, which, in total, collect from about 40% of the province's households.
- The IC&I sector generates about 60% of the waste in Ontario, but only manages to divert about 12% of its waste. The Ministry has little assurance that large generators are complying with regulations that require they conduct a waste audit, prepare a waste reduction work plan, and implement programs to source-separate waste for reuse or recycling.
- Organic waste from the residential and IC&I sectors represents almost a third of the total waste generated in Ontario. There is no province-wide organic waste diversion program or target, despite the Ministry's having considered establishing a program as early as 2002.
- One in five municipalities that responded to our survey felt they had insufficient landfill capacity for their residential waste. The existing capacity will diminish more rapidly once export of residential waste to Michigan largely ends after 2010 and an additional million tonnes of household waste previously shipped there is deposited in Ontario landfills each year.
- The Ministry inspects landfills and non-hazardous waste management sites, facilities, and systems to see if they meet conditions outlined in their certificates of approval. But many of these certificates do not reflect changes in standards. In numerous cases, non-compliance with the certificate was noted, but was not followed up in a timely way to ensure that the required actions were taken.

3.10 ORGAN AND TISSUE DONATION AND TRANSPLANTATION

Organ and tissue donation and transplantation can save or enhance lives. In the 2009/10 fiscal year, almost 1,000 organ transplants (from more than 550 donors) were carried out at the eight Ontario hospitals that perform transplants. As of March 31, 2010, more than 1,600 people were waiting for organ transplants in Ontario, with most waiting for a kidney or a liver.

The Trillium Gift of Life Network (Network) was established in 2002 as an agency of the Ministry of Health and Long-Term Care to co-ordinate the donation of organs and tissue, and has a staff of 100. Funding to the Network and transplant hospitals for conducting transplants in the 2009/10 fiscal year was about $100 million. The Network, along with initiatives undertaken by the Ministry and transplant hospitals, has improved the province's ability to meet organ and tissue transplant needs. However, changes could be made to help reduce the wait times for organs, thus saving lives and improving patients' quality of life. Further, enhanced oversight of organ and tissue transplantation activities would help ensure that patients are consistently prioritized on the wait-list, that the highest priority patient receives the first compatible organ, and that hospitals performing transplants are proficient at doing so.

Our findings included the following:

- 40 hospitals generally do not refer potential donors to the Network despite having the necessary medical technology to maintain organs for transplantation.
- For years many Ontarians signed the donation consent card that came with their driver's licence renewal and kept the card in their wallet. However, this type of consent is not included in the Ministry's consent registry, which is what the Network uses to determine if a potential donor has consented.
- There was a lack of consistent clinical criteria on when hospitals should refer potential donors to the Network, resulting in many referrals that were either made too late or just not made.
- Only 15,000 of the 4 million Ontarians who still have red-and-white health cards had their consent registered with the Ministry (undoubtedly because this required sending a separate form to ServiceOntario), while 1.9 million people with photo health cards had registered (because people are specifically asked as part of the application/renewal process). Further, consent registration rates varied significantly, from under 10% in Toronto to over 40% in Sudbury.
- Hospitals indicated that eligible patients requiring organs were not always referred for transplantation. For example, only 13% of dialysis patients were on a kidney wait-list, and rates varied from only 3% in the South-east Local Health Integration Network (LHIN) to 16% in the Champlain LHIN.
- There was no periodic independent review of the Network's allocation of organs, and for over 40% of the cases we reviewed, the highest-priority patient did not receive the organ and no reason was documented. Further, kidneys and livers generally stayed in the same region they were donated in, rather than being allocated to the highest-priority patient province-wide. Therefore, for example, 90% of kidney recipients received a kidney within four years in one Ontario region, compared to about nine years in two other Ontario regions.
- Less than 8% of Ontario's tissue needs were met with Ontario tissue, due to a lack of resources to recover, process, and store it. Hospitals therefore purchased tissue, primarily from the United States and Quebec.
- One Ontario hospital performed only six transplants in a year, and although Ontario does not have a minimum number of transplants to ensure proficiency, the U.S. minimum requirement is generally 10.

3.11 SCHOOL SAFETY

A learning environment that is not physically and psychologically safe can adversely affect not only a student's safety but also his or her motivation to learn. The impact of bullying, for example, can be severe: victims may have to deal with such issues as social anxiety, loneliness, physical ailments, low self-esteem, absenteeism, diminished academic performance, depression, and, in extreme cases, thoughts of suicide. A 2009 survey of Ontario students in grades seven through 12 by the Centre for Addiction and Mental Health identified that almost one in three students has been bullied at school and approximately one-quarter of students have bullied others at school.

A number of initiatives have been taken over the last few years to address safety issues in Ontario's schools, including the appointment of the Safe Schools Action Team, made up of safety and education experts, who have been called on to provide recommendations on legislation, policies, and practices. The team's recommendations have been a catalyst for legislative changes and formal policies, training for thousands of school administrators and teachers, the development of communication materials for stakeholders, and increased funding to school boards to implement school safety programs. However, neither the Ministry of Education (Ministry) nor the school boards or schools we visited were collecting sufficient information on whether these initiatives are having an impact on student behaviour. Although the Ministry is in the process of hiring a consultant to develop performance indicators, without such information it is difficult to determine whether the millions of dollars spent have been effective in reducing physical and psychological aggression in schools. Better information on the success of its initiatives would also help the Ministry to allocate funding to the areas of greatest need.

Some of our other key observations are as follows:

- The Ministry allocated $34 million—about two-thirds of its total annual school safety funding—to two initiatives focused on suspended, expelled, and other high-risk students. Most of this funding was allocated based on total board enrolment rather than on more targeted factors such as the actual number of students needing assistance. The percentage of students that had been suspended in each board ranged from 1% to more than 11% of the student population.
- An evaluation of a program that stations police officers in schools identified an improvement in relationships between students and police. The majority of school administrators we interviewed indicated that having an officer in the school improved school safety and that expansion of such programs should be considered.
- Comparison of provincial and school board data on suspension rates to a recent anonymous provincial survey of students suggests that school administrators are not aware of the extent of serious safety issues in some schools, such as the incidence of students being threatened or injured with a weapon. Most senior safety staff at the school boards we visited, as well as administrators at the schools we visited, said the discrepancy was due to a lack of reporting by students, possibly because of fear of reprisals, and that more needs to be done to facilitate student reporting of incidents.
- The Ministry has established requirements for school boards and schools pertaining to the application of progressive discipline for students who have repeatedly violated school safety policies. Despite significant differences in suspension rates among boards and among schools of boards we visited, neither the Ministry nor the boards we visited had formally analyzed the differences in suspension rates to assess whether progressive discipline policies are being applied consistently across the system.

Chapter 2

Public Accounts of the Province

Introduction

Ontario's Public Accounts for each fiscal year ending on March 31 are prepared under the direction of the Minister of Finance, as required by the *Financial Administration Act* (Act in this section). The Public Accounts comprise the province's annual report, including the province's consolidated financial statements, and three supplementary volumes of additional financial information.

The government's responsibility for preparing the consolidated financial statements encompasses ensuring that the information, including the many amounts based on estimates and judgment, is presented fairly. The government is also responsible for ensuring that a system of control, with supporting procedures, is in place to provide assurance that transactions are authorized, assets are safeguarded, and proper records are maintained.

My Office audits these consolidated financial statements. The objective of our audit is to obtain reasonable assurance that the statements are free of material misstatement—that is, that they are free of significant errors or omissions. The consolidated financial statements, along with my Auditor's Report on them, are included in the province's annual report.

The province's 2009/10 annual report also contains a Financial Statement Discussion and Analysis section that provides additional information regarding the province's financial condition and fiscal results for the year ended on March 31, 2010, including some details of what the government accomplished in the 2009/10 fiscal year. Providing such information enhances the fiscal accountability of the government to both the Legislative Assembly and the public.

The three supplementary volumes of the Public Accounts consist of the following:

- Volume 1—statements from all ministries and a number of schedules providing details of the province's revenues and expenses, its debts and other liabilities, its loans and investments, and other financial information;
- Volume 2—audited financial statements of significant provincial corporations, boards, and commissions whose activities are included in the province's consolidated financial statements, as well as other miscellaneous financial statements; and
- Volume 3—detailed schedules of ministry payments to vendors and transfer-payment recipients.

My Office reviews the information in the province's annual report and in Volumes 1 and 2 of the Public Accounts for consistency with the information presented in the province's consolidated financial statements.

The Act requires that, except in extraordinary circumstances, the government deliver its annual report to the Lieutenant Governor in Council on or before the 180th day after the end of the fiscal year. The three supplementary volumes must be submitted to the Lieutenant Governor in Council before the 240th day after the end of the fiscal year. Upon receiving these documents, the Lieutenant Governor in Council must lay them before the Legislative Assembly or, if it is not in session, make the information public and then, when the Legislative Assembly resumes sitting, lay it before the Legislative Assembly on or before the 10th day of that session.

This year, the government released the province's 2009/10 Annual Report and Consolidated Financial Statements, along with the three Public Accounts supplementary volumes, on August 23, 2010, meeting the 180-day deadline.

The Province's 2009/10 Consolidated Financial Statements

The *Auditor General Act* requires that I report annually on the results of my examination of the province's consolidated financial statements. I am pleased to report that my Auditor's Report to the Legislative Assembly on the province's consolidated financial statements for the year ended on March 31, 2010, is clear of any qualifications or reservations and reads as follows:

> To the Legislative Assembly of the Province of Ontario
>
> I have audited the consolidated statement of financial position of the Province of Ontario as at March 31, 2010, and the consolidated statements of operations, change in net debt, change in accumulated deficit, and cash flow for the year then ended. These financial statements are the responsibility of the Government of Ontario. My responsibility is to express an opinion on these financial statements based on my audit.
>
> I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Government, as well as evaluating the overall financial statement presentation.
>
> In my opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Province as at March 31, 2010, and the results of its operations, the change in its net debt, the change in its accumulated deficit, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.
>
> [signed]
>
> Jim McCarter, FCA
> Toronto, Ontario Auditor General
> July 30, 2010 Licensed Public Accountant

Standing Committee on Public Accounts Hearings

The all-party Standing Committee on Public Accounts (Committee) receives the Auditor General's Annual Report, selects topics of interest on which to hold hearings, and reports its observations and recommendations resulting from those hearings to the Legislative Assembly. The Committee's composition, mandate, and activities are explained in more detail in Chapter 6 of this Annual Report.

The Committee selected two sections of our *2009 Annual Report* for review that are directly related to the public accounts of the province: Unfunded Liability of the Workplace Safety and Insurance Board (WSIB); and Unspent Grants.

UNFUNDED LIABILITY OF THE WORKPLACE SAFETY AND INSURANCE BOARD (WSIB)

In Chapter 3 of our *2009 Annual Report*, we expressed concern about the significant recent growth in the WSIB's unfunded liability (which is the measure of the difference between the value of the WSIB's assets and its estimated financial obligations to pay benefits to injured workers). We discussed the factors contributing to this, and the initiatives being undertaken by the WSIB to control the growth of its unfunded liability. In Chapter 2 of our report, we also urged the government to reconsider the exclusion of the WSIB's financial results from the government reporting entity. The exclusion of the WSIB's financial results has been based on its classification as a "trust"; however, given the significant unfunded liability and various other factors, our report questioned whether the WSIB was operating like a true trust. The inclusion of the WSIB in the government's consolidated financial statements would have a significant impact on the government's finances.

The WSIB's audited unfunded liability as of December 31, 2008, totalled $11.5 billion. As of June 30, 2010, it had grown to almost $13 billion, as disclosed in the WSIB's latest available unaudited financial statements, and is projected to rise to $14 billion by 2014.

The Committee held a hearing on the WSIB on February 24, 2010. Presenters included the WSIB's Chair of the Board of Directors, the WSIB's President and Chief Executive Office (CEO), and the Deputy Minister of Labour. The WSIB representatives advised the Committee that they supported the observations we had made in our report, and welcomed the opportunity to discuss with the Committee the actions being taken to address them.

Upon completion of the hearings, the Committee, on October 5, 2010, tabled its report containing its comments and recommendations to the Legislative Assembly. The Committee's 25-page report contained 10 recommendations to both the Minister of Labour and the WSIB, and included reporting back to the Committee on the following:

- whether the WSIB and its stakeholders would support legislative changes requiring full funding over time;
- the results of the WSIB's review of the way it sets premium rates;
- whether the WSIB should have more autonomy in governing its financial affairs;
- the WSIB's progress in drafting a strategy to reduce the unfunded liability; and
- improvements made to the workplace safety experience rating program.

On the basis of recent discussions we had with the President and CEO of the WSIB and the Deputy Minister of Labour and a September 30, 2010, announcement by the WSIB, we believe that the following actions will help address both the Committee's recommendations and our observations:

- Legislative amendments are planned to be introduced which would require that, over time, the WSIB be fully funded.
- Modest increases in the average premium rate for 2011 and 2012, announced in fall 2010, represent a necessary first step in moving toward addressing the unfunded liability over time.
- A major funding review is slated to begin in late 2010, and is to be led by Professor Harry Arthurs, former President of York University. Seeking advice from stakeholders, the review is designed to provide the WSIB with advice on a range of issues, including full funding of the insurance fund and how to achieve it; the design of the employer incentive programs; and the efficiency of the rate-group structure and premium-setting methodology.

As a result of these commitments to address the WSIB's unfunded liability, we have agreed with the government that the WSIB can retain its "trust" classification for the 2010/11 fiscal year. However, we will continue to monitor the progress being made toward addressing the unfunded liability. Should we feel that sufficient progress is not being achieved, we will re-evaluate our position.

UNSPENT GRANTS

Our comments in the *2009 Annual Report* regarding unspent grants related primarily to year-end grants totalling $1.1 billion provided to municipalities in August 2008 under the *Investing in Ontario Act, 2008* (Act in this section) to fund infrastructure investments. These grants were recognized as an expense in the 2007/08 fiscal year but remained largely unspent by municipalities by the end of 2008/09. In addition to the $1.1 billion in transfers to municipalities under the Act, expenditures in 2007/08 included $1.9 billion in year-end grants provided to a number of other transfer-payment recipients. These included grants of $400 million to communities outside of Toronto for roads and bridges, $200 million to universities to maintain and upgrade facilities, and $100 million in transfers for social housing infrastructure. These grants also remained largely unspent by the end of 2008/09.

Although we acknowledged in last year's *Annual Report* that recording these grants as current-year expenses in the province's consolidated financial statements is acceptable under standards set by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants, we expressed concern that this type of accounting conveyed the message that monies had been spent providing programs and services during that fiscal year, when, in reality, few or no services had been provided during that period or no benefits had been received by the public.

In last year's *Annual Report*, we discussed the significant investments that the government had indicated in the 2009 Ontario Budget that it planned to make over the next two years to stimulate the provincial economy. These investments included some $32.5 billion in spending on infrastructure projects. The government indicated that, for the spending to be effective, it wanted it to support quick-start projects. We expressed concern about the risk that some of these funds might not be spent cost-effectively, as well as the potential that many projects might be slow to start and that the actual investments might not be made for several years. In such cases, the "stimulus effects" would not be felt for some time.

Our key recommendation in this regard last year was that public accountability for major year-end transfers and future stimulus funding that is to be spent over a multi-year period would be enhanced if the government publicly reported on the status of the money that it had provided. Such reporting could be presented in the province's annual report to clearly indicate the extent to which the funds transferred have actually been spent on infrastructure investments.

The Standing Committee on Public Accounts held a hearing on unspent grants on April 28, 2010. Presenting before the Committee were senior officials from the Ministry of Finance and the Ministry of Energy and Infrastructure (now the Ministry of Energy and the Ministry of Infrastructure).

The Committee asked the Ministry of Finance how it audits grant recipients to ensure that they adhere to the conditions under which grants were provided. The Ministry indicated that a recipient must report back on a periodic basis how much of the grant has been spent and for what purpose. If the Ministry determines that the money has not been spent, or has not been spent for the intended purpose, the money can be recovered. The Committee also wished to know how much of the infrastructure funding that had been distributed to recipients had actually been spent. Officials at the Ministry of Energy and Infrastructure noted that reporting rules are different for different programs and that under some programs, it is difficult to track, in a timely fashion, money spent by the grant recipients.

However, the Ministry did advise the Committee that it was addressing our recommendation for public reporting for the infrastructure economic stimulus program by disclosing on a website the current status of each approved project.

The Committee tabled its final report containing its comments and recommendations to the Legislative Assembly on October 20, 2010. The report contained the following recommendations to the Ministry of Finance and the Ministry of Infrastructure:

- The Ministry of Infrastructure should report back to the Committee on any measures that are under consideration to expand reporting on its website information related to infrastructure stimulus program spending and project progress.
- The Ministry of Infrastructure should develop a website to track major capital grant programs over $25 million.
- The Ministry of Infrastructure should report back to the Committee on the status of projects funded by stimulus spending that are at risk of not being completed by the time federal and provincial grants end on March 31, 2011, and for which municipalities would be required to solely fund any uncompleted portions.
- The Ministry of Finance should report back to the Committee on whether it supports the principle of pre-flowing grants and recording them as a cost of providing services in the current fiscal year when, in fact, the funds will be spent by the grant recipients in future years.

Update on the Province's Financial Condition

In last year's *Annual Report*, we discussed Ontario's overall "financial health" using a core set of indicators, common to all governments, as recommended by the Canadian Institute of Chartered Accountants' Public Sector Accounting Board. Using information from previous consolidated financial statements and government projections in the 2009 Ontario Budget, we outlined the sustainability, flexibility, and vulnerability of government finances to large, looming deficits and debt increases. In this context, these terms are defined as follows:

- *Sustainability*—the government's continuing ability to manage its financial and program commitments and debt burden;
- *Flexibility*—the government's continuing ability to borrow in the future or to increase taxes or government fees to meet financial obligations; and
- *Vulnerability*—the government's reliance on funding sources that are beyond its control and influence, such as revenue transfers from other levels of government.

Our analysis last year indicated that the province's financial condition had generally been improving since the 2001/02 fiscal year. However, beginning in 2009, this trend would reverse over the next few years because of the large deficits and increases in debt that the government had projected due to the recent economic downturn.

The province reported a deficit of $19.3 billion in its 2009/10 consolidated financial statements. The province's debt, which includes all provincial borrowings, had risen by nearly 20%, to $212 billion from $176.9 billion a year earlier. In the 2009 Ontario Budget, the government set out its plan to eliminate the deficit by the 2015/16 fiscal year. In the 2010 Ontario Budget, the government revised its deficit projections and indicated that it now plans to eliminate the deficit by 2017/18. The following analysis updates the information presented last year on the province's financial condition using the government's latest budget projections.

ONTARIO'S REVISED PLAN TO ELIMINATE THE DEFICIT

Deficits occur when revenues the government collects are insufficient to cover spending. The government must borrow to finance its deficits, to replace maturing debt, and to fund its investments in built or acquired capital assets. The *Fiscal Transparency and Accountability Act, 2004* requires the government, when it projects a deficit, to outline its fiscal plan to balance the budget. Figure 1 provides a summary of the latest projections outlined in the 2010 Ontario Budget of future deficits in this recovery plan.

The combined annual deficits for the fiscal years 2010/11 to 2016/17 now total nearly $90 billion. The yearly annual deficits, combined with borrowings to finance maturing debt and the government's infrastructure spending, will significantly increase Ontario's net debt—liabilities minus financial assets—over the next few years. As Figure 2 shows, Ontario's net debt is now projected to grow from $193 billion in 2009/10 to $267 billion in 2012/13—an increase of $74 billion, or 38%, from the current level.

ONTARIO'S FINANCIAL CONDITION INDICATORS

Based on the most recent deficit projections in the government's latest fiscal plan, there are noteworthy changes to the "financial health" indicators we examined last year. Our update on the sustainability, flexibility, and vulnerability of government finances is as follows.

Figure 1: Provincial Deficit Elimination Plan, 2010/11-2017/18 ($ billion)

Source of data: 2010 Ontario Budget

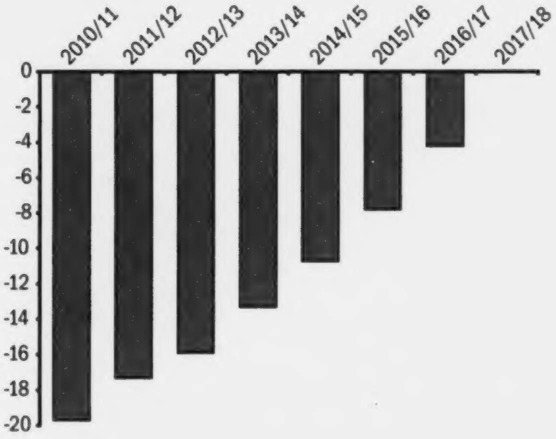
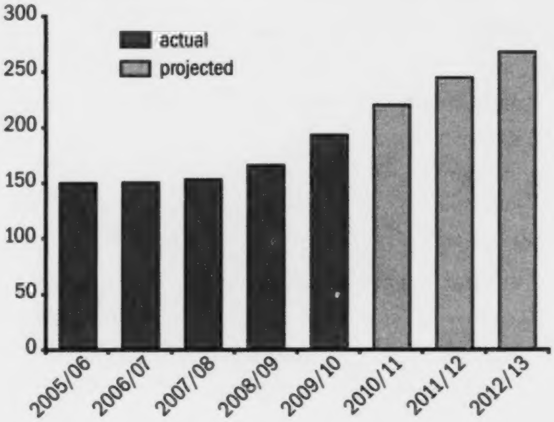


Figure 2: Provincial Net Debt, 2005/06-2012/13 ($ billion)

Source of data: 2010 Ontario Budget



Sustainability

Sustainability is the degree to which a government can maintain its existing financial obligations, with respect both to its service commitments to the public and to its financial commitments to creditors, employees, and others, without increasing the debt or tax burden. Sustainability addresses the government's ability to manage its financial and program commitments and debt burden. Two key sustainability indicators are as follows.

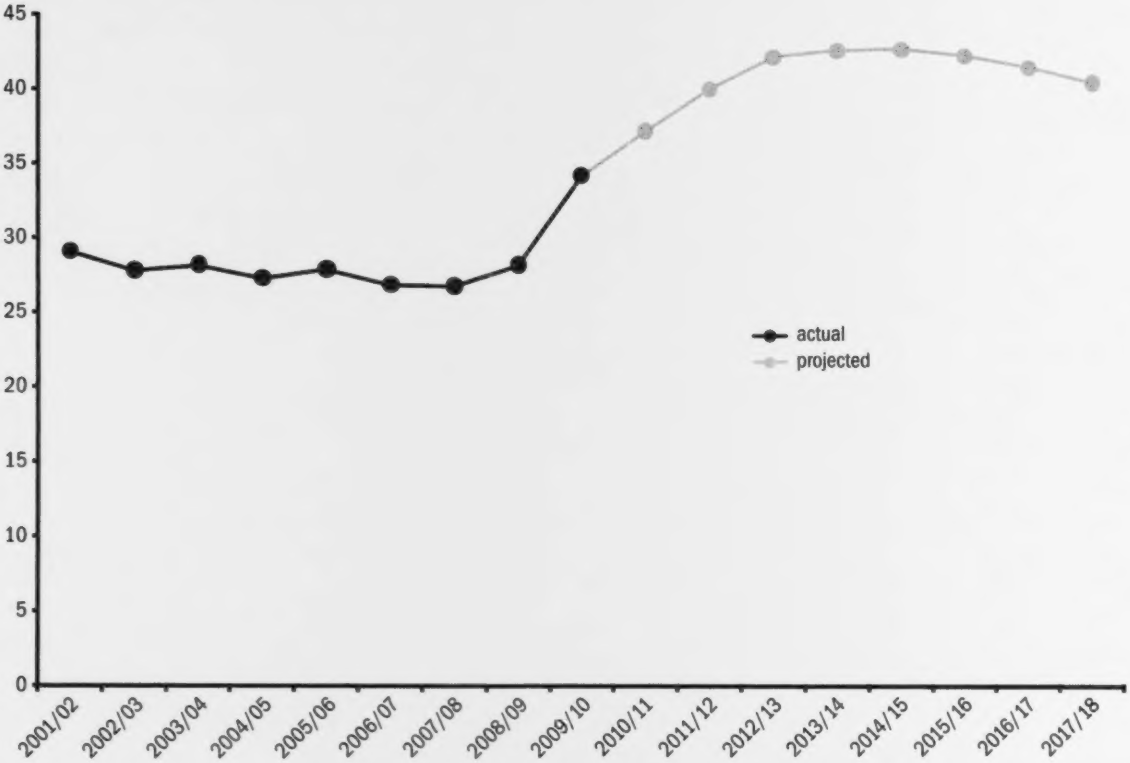
Ratio of Net Debt to GDP

The ratio of net debt to Gross Domestic Product (GDP) measures the relationship between a government's obligations and its capacity to raise funds to meet them. In other words, it considers the debt that must be repaid relative to the value of the output of Ontario's economy. When the ratio is rising, it means that the government's net debt is growing at a faster rate than the provincial economy.

Figure 3 shows that the province's net-debt-to-GDP ratio had been relatively stable from the

Figure 3: Ratio of Provincial Net Debt to Gross Domestic Product (GDP), 2001/02–2017/08 (%)

Source of data: 2010 Ontario Budget



2001/02 fiscal year through 2007/08 at slightly less than 30% but has begun to increase and is likely to continue to do so well into the coming decade. This projected increase reflects the government's decision to significantly increase its borrowings in order to fund its deficits and infrastructure investments. Only in 2015/16 is the net-debt-to-GDP ratio projected to begin falling, after reaching a high of 42% in 2014/15.

Ratio of Net Debt to Total Annual Revenues

The ratio of net debt to total annual revenues is an indicator of how much time would be needed to eliminate the province's debt if all revenues could be devoted to it. For instance, a ratio of 250% indicates that it would take two-and-a-half years to eliminate the provincial debt if all revenues were devoted to it. As shown in Figure 4, this ratio declined from about 190% in 2003/04 to about 150% in 2007/08, reflecting the fact that, while the province's net debt remained essentially the same, annual provincial revenues were increasing. However, the ratio increased in 2008/09 and 2009/10 and is projected to continue to increase for the next two years, reaching a high of almost 240% by the end of 2012/13.

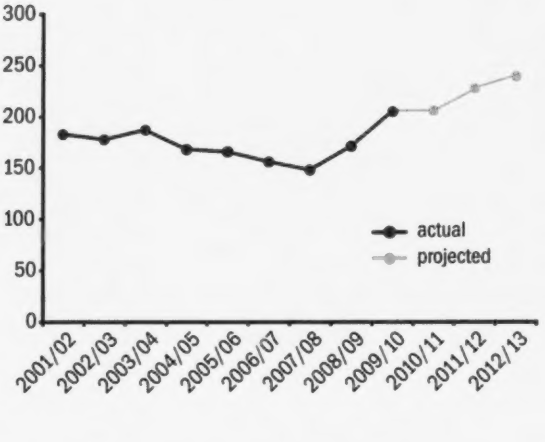
Flexibility

Flexibility measures the degree to which a government can change its debt or tax burden to meet existing financial obligations. Current borrowings reduce the government's future ability to respond to adverse economic circumstances. Similarly, increasing taxes or government fees may reduce the government's ability to levy such measures in the future as the government approaches the limits that the public is willing and able to bear.

We examine two indicators for this measurement.

Figure 4: Ratio of Provincial Net Debt to Total Annual Revenues, 2001/02–2012/13 (%)

Source of data: 2010 Ontario Budget



Ratio of Interest Expense to Revenues

Increases in the cost of servicing total debt, or interest expense, can directly affect the quantity and quality of programs and services that government can provide. The higher the proportion of government revenues needed to pay interest costs arising from past borrowing, the less will be available for program spending.

The interest-expense-to-revenue ratio illustrates the extent to which servicing past borrowings takes a greater or lesser share of total revenues.

As Figure 5 shows, the province's interest-expense-to-total-revenues ratio has been decreasing steadily over the past decade, even as provincial net debt has been increasing due to lower interest rates in recent years. Based on the latest projections in the 2010 Ontario Budget, the ratio is expected to gradually increase to almost 12% by 2015/16 from its low of 8.6% in 2007/08. This means that the government expects to spend nearly one out of every eight dollars of revenue collected on servicing the province's net debt by 2015/16. In 2007/08, only one out of every 12 dollars of revenue collected was required in order to service the province's net debt.

Interest rates have been relatively low and falling over the past several years, recently approaching record low levels. This has enabled the government to keep interest expenses relatively consistent even as its total borrowing has been increasing. However, if this indicator continues to increase because of increased borrowing or higher interest rates, the government will have less flexibility to spend money on programs providing public services because a higher proportion of government revenues will be devoted to paying interest costs on the province's debt.

Ratio of Own-source Revenues to GDP

The ratio of own-source revenues—primarily tax and fee revenues—to GDP shows the extent to which a government is taking income out of the economy, through either taxation or user charges. If the indicator is increasing, the government may have less room to raise taxes or increase fees. From the 2005/06 fiscal year to projections for 2012/13, the government's own-source revenue as a percentage of GDP is projected to hold steady. On the basis of projections in the 2010 Ontario Budget, it is estimated to range between 13.7% and 14.7%, and average 14.1%, over this eight-year period.

Vulnerability

Vulnerability refers to the degree to which a government becomes dependent on outside revenue sources or is exposed to risks that could impair its ability to meet existing obligations, with respect both to its service commitments to the public and to its financial commitments to creditors, employees, and others. It is an important aspect of financial condition because it provides insight into a government's reliance on funding sources that are beyond its control and influence, such as revenue transfers from other levels of government.

We examine the following indicator for this measurement.

Ratio of Federal Government Transfers to Total Revenues

Although detailed revenue projections have not been published beyond the 2012/13 fiscal year, the proportion of revenue that the Ontario government receives from the government of Canada has been rising. Based on the government's most recent revenue projections since 2005/06 when it was 14.7%, it is projected to peak at 22.2% in 2010/11. This peak is largely the result of federal–provincial stimulus funding arrangements that are scheduled to end in 2010/11. By 2012/13, the proportion of revenue that the Ontario government receives from the government of Canada is expected to decrease to 18.3%. The federal government is facing fiscal challenges of its own, and any unforeseen future reductions in federal transfers could result in the province having to issue more debt or raise taxes or fees if it wishes to maintain its projected spending plans.

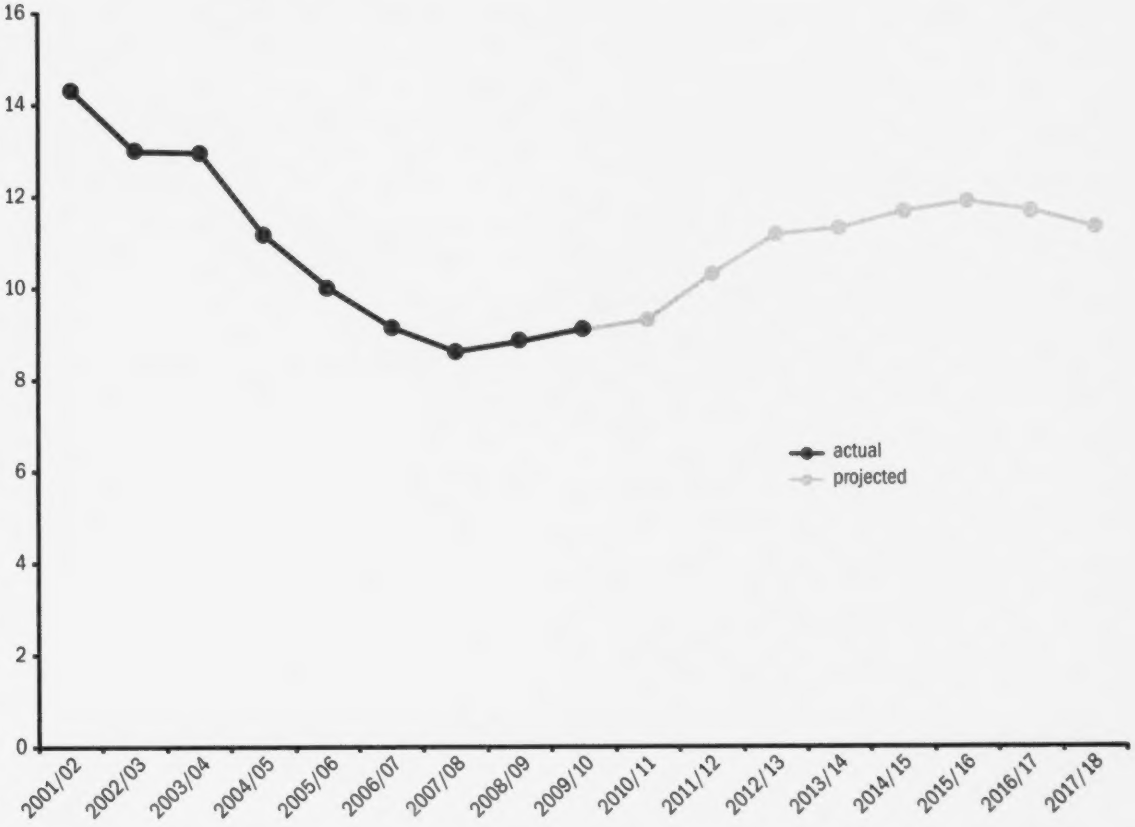
REVIEW OF THE 2011 PRE-ELECTION REPORT

The *Fiscal Transparency and Accountability Act, 2004* (Act in this section) established the requirement that the Ministry of Finance, in the year of an election, release a pre-election report about Ontario's finances to be reviewed by my Office. The pre-election report is to provide an update on the government's most recent fiscal plan as reported in its latest budget, including:

- the macroeconomic forecasts and assumptions that were used to prepare the fiscal plan and a description of any significant differences from those forecasts and assumptions;

Figure 5: Ratio of Provincial Interest Expense to Total Revenues, 2001/02–2017/18 (%)

Source of data: 2010 Ontario Budget



- an estimate of Ontario's revenues and expenses, including estimates of the major components of the revenues and expenses set out in the plan;
- details about the reserve required to provide for unexpected adverse changes in revenues and expenses; and
- information about the ratio of provincial debt to Ontario's Gross Domestic Product.

The Act also states, "The Auditor General shall promptly review the pre-election report to determine whether it is reasonable, and shall release a statement describing the results of the review."

The government released its first pre-election report, which contained the results of our review, in June 2007. Because the fiscal plan contained in the 2007 Ontario Budget was brought down just one month prior to the release of the pre-election report, the government concluded that the fiscal estimates and other information in the report should be consistent with the 2007 Ontario Budget.

Because an election is scheduled for October 2011, the government is expected to release its second pre-election report after the release of the 2011 Ontario Budget. My Office will once again promptly review the report in accordance with the Act.

Update on the Province's Stranded Debt

The term "stranded debt" refers to the debt and other liabilities of the former Ontario Hydro that could not be serviced in a competitive environment following the restructuring of the electricity sector on April 1, 1999.

On that date, the government split Ontario Hydro into several new companies, including Hydro One, Ontario Power Generation (OPG), and the Ontario Electricity Financial Corporation (OEFC). OEFC's responsibilities include managing and paying down the debt and other liabilities of the old Ontario Hydro.

OEFC is implementing the government's long-term plan to retire the former Ontario Hydro's stranded debt primarily from revenue within the electricity sector, including OPG and Hydro One, and from a debt-retirement charge (DRC) paid by ratepayers.

The plan, which includes future cash flows and provides a retirement date, is updated annually on the basis of current information and assumptions. The plan considers the stranded debt to be retired at the point when OEFC's liabilities are fully offset by its assets. The current version estimates that the stranded debt will be retired sometime between 2015 and 2018.

Initially, little progress was made in reducing the stranded debt. However, over the last few years, it has been steadily decreasing, as shown in Figure 6.

Since the 2004/05 fiscal year, a $2.1 billion reduction to the stranded debt has resulted from legislated reforms that allowed OEFC to recover from ratepayers the full cost of its power purchase contracts with independent energy producers. The reduction in the stranded debt during the 2009/10 fiscal year was largely the result of improved net

Figure 6: Electricity-sector Stranded Debt, 1999/2000–2009/10 ($ billion)

Source of data: 2010 Ontario Budget

Fiscal Year End	
at April 1, 1999	19.4
1999/2000	20.0
2000/01	20.0
2001/02	20.1
2002/03	20.2
2003/04	20.6
2004/05	20.4
2005/06	19.3
2006/07	18.3
2007/08	17.2
2008/09	16.2
2009/10	14.8

income from OPG. Most of this improvement was attributable to income earned on the $10.3 billion in investments from the Used Fuel and Decommissioning Segregated Funds (known as the "nuclear funds"), as opposed to earnings from OPG's electricity-generating operations, which were lower compared to the 2008/09 fiscal year. (The nuclear funds are funded by both OPG and the province to ensure that the necessary funds are available to cover the future costs of decommissioning nuclear plants and for nuclear waste fuel management.) Obviously, any forward-looking financial plan is subject to uncertainty because it is based on projected assumptions and hypotheses, and actual results can and will fluctuate. The uncertainties in this plan that especially concern us pertain to the future financial performance of OPG and its related contributions to reducing the stranded debt. Specifically:

- *Public and political pressure to keep electricity-rate increases low:* The model assumes that OPG's power rates will be sufficient to cover costs and provide a reasonable rate of return. OPG recently decided to delay seeking an increase in its rates for the 70% of its output regulated by the Ontario Energy Board. Because only income over a certain threshold amount can be applied to reduce stranded debt, the inability to fully recover costs in a timely manner has an impact on annual operating results and the paying down of the stranded debt.
- *Cost overruns for electricity generation projects:* OPG continually has large capital projects under way relating to nuclear and other generation facilities. For instance, the Niagara Tunnel Project, announced in September 2005, was to have cost OPG $895 million to build and was to have opened in late 2009. The project cost is now estimated at $1.6 billion, with start-up delayed to December 2013. The model assumes that OPG will be allowed by its regulator (the Ontario Energy Board) to pass on cost overruns of capital projects to its ratepayers.
- *Volatility in the investment returns on the nuclear funds:* Canadian accounting standards followed by OPG require that unrealized investment gains and losses be reflected in OPG's net income. Such unrealized changes have been highly volatile in recent years, as illustrated by OPG's 2009 nuclear funds income of $683 million—a $776 million improvement over the $93 million loss in 2008. Recently proposed changes to public-sector accounting standards may minimize some of this volatility in the future.

In our view, the uncertainties associated with some of the plan's other key revenue sources that contribute to paying down the stranded debt are not as significant or as volatile as those for OPG. For example, the revenue from the Debt Retirement Charge is based on 0.7 cents/kWh and is charged on all electricity consumed in Ontario. Electricity demand on average is unlikely to be lower in future years. In the case of Hydro One, because most of its operations relate to transmission and distribution, its operating results tend to be more predictable.

Future Public Accounts Issues

PUBLIC SECTOR ACCOUNTING BOARD'S STANDARD-SETTING PROCESS

Accounting standards specify how transactions are to be recognized, measured, and disclosed in the financial statements of private- or public-sector entities. In order to be authoritative, standards for financial accounting and reporting should be developed through an organized, open, and transparent process by a recognized standard-setting body.

The Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants

(CICA) has the authority to set accounting standards for the public sector. PSAB standards represent generally accepted accounting principles (GAAP) for governments in Canada and are the primary source for public-sector accounting guidance in Canada.

A key element in PSAB's setting of standards is that it follows an open process in the development and issuance of its accounting standards—otherwise known as "due process." PSAB emphasizes due process in order to ensure that the views of those who have an interest in public-sector accounting and financial reporting are heard and considered. Due process is critical in maintaining the objectivity of the accounting-standard-setting process. In developing an accounting standard, PSAB typically follows a five-step process:

1. conduct basic research;
2. approve a project proposal;
3. set a statement of principles and issue it to a designated group of associates for initial feedback;
4. issue one or more public exposure drafts available for public comments by any interested individual or organization; and
5. approve a final standard.

Another element of the process of setting accounting standards is the requirement that any new standard be consistent with the CICA's overall conceptual framework. The CICA's conceptual framework consists of interrelated objectives and fundamentals that support the development of consistent accounting standards. As new accounting and financial reporting issues arise, accounting-standard-setting bodies such as PSAB use this framework to ensure that any proposed standard is consistent with the CICA's overall financial reporting model.

PSAB has been under significant pressure from various stakeholders to reconsider some recently proposed changes in accounting standards. Governments, for instance, want to ensure that the proposed changes do not adversely affect their financial reporting, budgets, and fiscal policy decisions. In setting standards, PSAB must ensure that new accounting standards or changes to existing accounting standards follow due process and are consistent with its conceptual framework (which is based on the CICA's overall conceptual framework) and, most importantly, result in financial statements that fairly reflect the results of a government's operations and its financial position.

ADDENDUM TO THE 2010 ONTARIO BUDGET

In the *Addendum to the 2010 Ontario Budget: Ontario's Plan to Enhance Accountability, Transparency and Financial Management*, the government voiced its concerns over several changes recently proposed to public-sector accounting standards. Specifically, the government is of the opinion that some of the proposed changes are inconsistent with the aim of ensuring that "public-sector accounting standards continue to support sound public policy decision-making, government fiscal accountability, and the clear, transparent reporting of information on government finances to the public." In the addendum, the government points out that governments and public-sector organizations are different from private-sector organizations and that these differences need to be recognized in accounting standards. Specifically, users of private-sector financial reports want information to support their investment decisions, whereas users of public-sector financial reports want to know how their tax dollars were spent and whether the books are balanced. In its addendum, the government cited the following issues to illustrate its concerns:

- At present there are four different sets of accounting standards for use in the public sector in Canada: public-sector, government not-for-profit, rate-regulated, and profit-oriented. Each set of standards records and reports public-sector financial results differently. The government believes that this distorts transparency and fiscal accountability for the expenditure of public monies and that there is a need for PSAB to establish a consistent set of accounting standards for all public-sector organizations in Canada as soon as possible.

- According to the government, PSAB's proposal to record market-value "paper" gains and losses related to financial instruments in public-sector results would not reflect the economic substance and exposure related to government transactions, and would reduce public understanding of government finances. The government is of the opinion that only actual realized gains and losses should be reflected in financial results.
- In light of increased uncertainty regarding the future of rate-regulated accounting under the International Financial Reporting Standards for government organizations and business enterprises, along with the need to ensure consistency with the decisions of regulatory authorities in Ontario, the government indicated that it may need to take action to ensure that the financial reports of rate-regulated entities continue to meet user needs.

In December 2009, ministers of finance from the federal, provincial, and territorial governments issued a joint letter to the chairs of the CICA Board of Directors, the Accounting Standards Oversight Council, and PSAB expressing their concern that PSAB had not yet addressed the critical differences between the accounting-standards requirements of the public and private sectors and the related impact on the public's understanding of government finances. The Ontario government indicated in the addendum that, in the interim, it will provide direction to provincial government organizations and enterprises to ensure that consistent, transparent, and accountable reporting is sustained in the Ontario public sector.

ADHERENCE TO ACCOUNTING STANDARDS

It is important to note that, in all material respects, the government's consolidated financial statements do comply with PSAB standards, and the government continues to improve in certain areas. For instance, in the 2009/10 fiscal year, the government further enhanced compliance with PSAB standards by recognizing depreciable assets such as vehicles, aircraft, and information technology infrastructure as capital expenditures, and amortizing their costs over the assets' useful lives. Previously, these capital expenditures were charged to current-year expenses as incurred.

However, one issue we do remain concerned about is the passage of the *Investing in Ontario Act, 2008*, in which the government, for the first time that we are aware of, has taken it upon itself to decree how transfers under this act will be accounted for rather than allowing generally accepted accounting standards to determine how such transfers would be accounted for. We initially raised this concern in our *2008 Annual Report*. The recent amendments put forth by the government to the *Education Act* and proposed amendments to the *Financial Administration Act* that specify the accounting standards to be used by government organizations and business enterprises once again indicate that the province may be starting down the path of legislating accounting standards rather than following generally accepted standards. As well, in the province's 2009/10 consolidated financial statements, there were two instances where the province's accounting and reporting practices were not fully consistent with PSAB standards.

The two instances of non-compliance with PSAB standards are discussed more fully as follows.

Consolidation of the Broader Public Sector

PSAB standards require that broader-public-sector (BPS) organizations deemed to be controlled by the government should be included in the province's consolidated financial statements beginning in 2004/05. The government determined that hospitals, school boards, and colleges met this criteria—and we agreed—and these sectors have been included in the province's consolidated financial statements since that time. PSAB permitted governments to consolidate BPS organizations on the modified equity basis of accounting up to and including the 2008/09 fiscal year. Under the modified equity basis, the net assets of the BPS organizations have been reported as a single line item on the province's consolidated Statement of Financial Position, and each BPS organization's expenses net of fees, donations, and education property-tax revenues have been included in the related sector's expenses in the province's consolidated Statement of Operations.

For fiscal years that commence on or after April 1, 2009, PSAB standards require that BPS organizations be fully consolidated. This means that the assets, liabilities, revenues, and expenses of each BPS organization are to be combined on a line-by-line basis with the corresponding account in the province's consolidated financial statements. For instance, any non-government revenues received by hospitals, school boards, or colleges would be added to provincial revenues to arrive at a total revenue figure for the consolidated financial statements.

In its 2009/10 consolidated financial statements, the government fully consolidated the assets and liabilities of the BPS organizations. However, the government continued to net the revenues the BPS organizations receive from the public, such as tuition fees and donations, against the BPS organizations' expenses. According to the government, these revenues were not included with the revenues of the province because they were not available to the province to fund program costs. Only the education property-tax revenue reported by school boards is accounted for as government revenues in the province's consolidated financial statements. Under this "hybrid" consolidation approach, the province fully consolidates the balance sheet of the BPS organizations but continues to use the modified equity basis of accounting in consolidating their income statements. The government believes that its approach to consolidating the BPS organizations reflects the BPS organizations' bottom-line accountability relationship to the government to manage their operations within budget.

This approach to consolidating BPS organizations that Ontario has decided to adopt is unique among the provinces. We reviewed the consolidated financial statements of five of the larger provinces that have BPS organizations and noted that all five were fully consolidating their BPS organizations in accordance with PSAB standards.

However, from a "bottom-line" perspective, it is important to note that this departure from PSAB standards did not have an impact on either the province's net debt or its deficit—which we consider to be the key measures that the Legislature and the public use to assess how well the government has managed the public purse. Accordingly, we had advised the government early in the fiscal year that, although we recommended full compliance with PSAB standards, the proposed consolidation methodology would in itself not have a material impact on the fairness of the financial statements.

Accounting for Government Business Enterprises Not in Accordance with PSAB Standards

Two of the Ontario government's larger government business enterprises, Ontario Power Generation Inc. (OPG) and Hydro One Inc. (Hydro One), record their financial instruments at fair values in order to comply with the CICA's generally accepted accounting principles for private-sector organizations.

PSAB standards require that the financial activities and balances reported by a government business enterprise be reflected in the province's consolidated financial statements on the same basis they are recorded in the government business enterprise's financial statements. Therefore, in accordance with PSAB standards, the fair value adjustments recorded by OPG and Hydro One should be reflected in the province's consolidated financial statements.

However, the government does not follow this PSAB standard for certain types of financial instruments held by OPG and Hydro One. Specifically, the province removes the fair value adjustments related to a number of financial instruments recorded by OPG and Hydro One before combining their results with those of the province; therefore, the fair value adjustments are not reflected in the province's consolidated financial statements. This departure from PSAB standards resulted in the province's financial assets being overstated by $82 million, its accumulated deficit being understated by $46 million, and its deficit being understated by $36 million in its 2009/10 consolidated financial statements. The consequences of this departure would be more serious if the amounts were more significant.

Again, because the impact of this departure is not material, it did not affect our audit opinion on the province's 2009/10 consolidated financial statements. However, in our view, there is no accounting basis in PSAB to support the government's practice in this area. Our review of other jurisdictions, including the federal government, found that they comply with this PSAB accounting standard.

THE INDEPENDENCE AND OBJECTIVITY OF THE STANDARD-SETTING PROCESS

Ontario has made significant progress in enhancing the accountability, credibility, and usefulness of its consolidated financial statements over the past 15 years.

Although governments—regardless of which political party was in power over the last 15 years in Ontario—deserve credit for this, so do the CICA and PSAB for establishing generally accepted accounting principles for governments to follow. The province as a sovereign entity can create its own accounting standards. However, we are concerned that any attempt to establish accounting principles through legislation may be taking a step backward from the substantial progress made to date. We hold the view that, in the public sector, a fundamental principle of government accountability to its citizens is that it produce financial information in such a way that the Legislature and the public can rely on the credibility. We further believe that, for government financial statements to be credible, users should have confidence that the statements adhere to generally accepted and identifiable standards that are established by an independent, arm's-length standard-setting body. We firmly believe that the CICA is well established as the Canadian accounting profession's independent standard-setting body, and that the accounting standards it develops through its Public Sector Accounting Board provide governments, auditors, and users of government financial statements with an objective and appropriate basis for accounting and reporting on transactions.

Status of Certain Issues Raised in Prior Years

PENSION BENEFITS GUARANTEE FUND

The Pension Benefits Guarantee Fund (PBGF), established in 1980 under the *Pension Benefits Act* (Act in this section) is administered by the Superintendent of Financial Services for the Financial Services Commission of Ontario. The purpose of the fund is to guarantee the payment of certain pension benefits when eligible defined benefit plans are "wound up" (terminated) under conditions specified in the Act. It continues to be the only fund of this nature in Canada.

Under the Act, the PBGF is funded through premiums charged to and paid by private-sector pension plan sponsors. Participation in the PBGF is mandatory for many defined benefit pension plans registered in Ontario; it covers over 1.1 million pension plan members who belong to over 1,500 pension plans. The intention is for the PBGF to be self-financing, with funding received in the form of annual premiums based on per-member and risk-related fees. The PBGF provides a maximum benefit of up to $1,000 per month to pensioners should their defined benefit plan have insufficient funds to pay the required pensions. Currently, PBGF fees are as low as $1 per pension plan member per year, with no minimum assessment per pension plan. However, there is a $100 maximum fee per pension plan member and a $4 million maximum assessment for pension plans with deficits.

The PBGF has historically been classified as a trust for provincial financial-statement accounting purposes because its assets and liabilities are not considered the financial responsibility of the province. As a result, the assets, liabilities, and operating results of the fund are excluded from the government reporting entity but do require disclosure in the notes to the province's consolidated financial statements.

2009/10 Update on Financial Condition

Recent corporate insolvencies and bankruptcies caused by corporate failures, the economic downturn, and other events have caused significantly larger claims to be made to the PBGF over the last few years.

We noted in last year's Annual Report that, as a result of claims made over the previous few years, the PBGF had an unfunded liability of $47 million as of March 31, 2009. In other words, bona fide claims exceeded the assets it held to pay for them by $47 million. This unfunded liability existed despite the fact that the province had provided financial assistance to the PBGF in the 2003/04 fiscal year in the form of a $330 million non-interest-bearing loan that was to be repaid in $11 million annual instalments over a 30-year period.

At that time, we also expressed concern about the financial health of the PBGF because additional companies' pension plans were in the position potentially to make claims, which, according to the notes to the PBGF's March 31, 2009, consolidated financial statements, "could significantly exceed [its] existing assets." We expressed our concern last year that the need for continued direct provincial assistance to the PBGF might indicate that it may no longer meet the public-sector accounting standards for classification as a trust in the Public Accounts. We recommended that the government formally assess the legitimacy of continuing to exclude the fund from the province's consolidated financial statements for the 2009/10 fiscal year.

On March 25, 2010, the Legislature approved an appropriation to enable the Minister of Finance to provide a $500 million grant to the PBGF in order to help stabilize the fund and cover the costs of recent plan windups. As a result of the grant provided to the PBGF, it reported a fund surplus of $103 million as of March 31, 2010.

External Actuary Review of the Pension Benefits Guarantee Fund

In November 2006, the government established an Expert Commission on Pensions to consult on possible changes to the *Pension Benefits Act* (Act in this section). Included in the commission's area of review was the PBGF.

In November 2008, the Expert Commission recommended that an examination be conducted to determine the appropriate fees and guarantees needed to ensure that the PBGF is governed on self-financing principles. The commission also recommended that the PBGF be administered at arm's length from the pension regulator.

In response, the government amended the Act to clarify that the PBGF is a self-sustaining fund, independent of the government. The amendments allow, but do not require, the government to provide grants or loans to the PBGF. The amended Act also emphasized that the PBGF's liabilities are limited to its assets. In addition, the government appointed an independent actuary to review the stability and financial status of the PBGF. The results of the study were published in the actuary's report, dated June 2010.

The independent actuary noted that, to be treated as a private insurer, in the absence of any increase in assessments, the PBGF would require an upfront reserve net of current claims as of January 1, 2010, of between $680 million and $1.023 billion to cover expected future claims. According to the report, a one-time grant to cover anticipated 2010 claims would cover most expected future claims, but, given current assessments, it would not cover a future catastrophic claim.

Assuming that the PBGF received the one-time grant from the province to cover 2010 claims, the actuary determined that, in order to be considered self-sufficient over the long term and cover existing loan repayments and expected future claims plus expenses, the PBGF would require a 450% increase in the employer and employee assessment rates to fund benefits at the current maximum coverage level of $1,000 per month per employee.

As noted previously, the government provided the PBGF with a $500 million grant in March 2010. In addition, on August 24, 2010, the government announced other reforms that it planned to bring to the Legislature in fall 2010. These reforms included increasing PBGF revenue by establishing a minimum assessment of $250 per covered plan; raising the base fee per plan member from $1 to $5; raising the maximum fee per plan member in underfunded plans from $100 to $300; and eliminating the $4 million maximum assessment limit for underfunded plans.

Status of PBGF "Trust" Classification

It is my Office's view that, even with the proposed legislative reforms, we question whether the PBGF will meet the criteria to retain its "trust" classification for the 2010/11 fiscal year. The government's $500 million grant demonstrates the PBGF's dependence on the government to meet its financial obligations, and therefore jeopardizes its accounting treatment as a trust in the province's consolidated financial statements. In addition, based on the actuary's report, it appears that this dependency will continue in the future. Even with the $500 million grant and even if the proposed premium increases are implemented, the fund will probably remain significantly short of the $680 million to $1.023 billion required to meet expected future claims as estimated by the actuary. We believe that the PGBF may need to be included in the province's consolidated financial statements for the 2010/11 fiscal year, unless a substantial improvement in the unfunded liability or significant increases to employer premiums beyond those currently envisioned occur.

ACCOUNTING FOR CAPITAL TRANSFERS

We noted in last year's Annual Report that the government was not accounting for capital transfers received from other levels of government in accordance with PSAB standards. Under these standards, capital transfers are to be recognized as revenues when the province incurs the expenditures that make it eligible to receive the grants. We noted that the province had received significant federal grants over several years that, in our view, should have been recognized as revenues because the government had incurred expenditures in making itself eligible to receive the grants in question. However, the recognition of these grants as revenues had instead been deferred over the useful lives of the related assets that were acquired or constructed. We noted that as of March 31, 2009, these deferred amounts continued to grow but were not yet significant enough to have an impact on the fairness of the consolidated financial statements.

In May 2010, PSAB issued a Re-Exposure Draft on Government Transfers that addresses several issues related to how transfers are accounted for by both the transferor and the recipient. In essence, the re-exposure draft now allows a recipient government to recognize capital transfers over the related asset's useful life.

In assessing the proposed standard against the purpose and nature of the capital transfers received by the province and its fully consolidated organizations, we concluded that, because the ultimate purpose of the transfers is to construct or acquire assets that provide services to the public over their useful lives, it is therefore appropriate to recognize these capital transfers in revenue over the useful life of the related acquired or constructed asset.

RATE-REGULATED ASSETS AND LIABILITIES

Rate regulation is an arrangement whereby a government-established authority approves the prices that a regulated entity can charge customers for its products or services. Regulators often prohibit regulated entities from immediately recovering all of their current costs in their current rates, ordering instead that such costs be "deferred" (and recorded as an asset) for recovery in future periods. Rate-regulated accounting practices were developed to recognize the unique nature of regulated entities such as electricity generators and of these types of transactions.

Three major provincially owned organizations in Ontario's electricity sector—Ontario Power Generation Inc., Hydro One Inc., and the Ontario Power Authority—use rate-regulated accounting, in accordance with the Canadian generally accepted accounting principles. The financial position and operating results of these three organizations are included in, and have a significant effect on, the government's consolidated financial statements. The net effect of rate-regulated accounting in the 2009/10 fiscal year was to increase the operating profits of government business enterprises by more than $900 million, thus reducing the government's overall reported deficit by the same $900 million.

Over the last two years, we have raised concerns about the appropriateness of recognizing rate-regulated assets and liabilities in the government's consolidated financial statements. From a theoretical viewpoint, we questioned whether rate-regulated assets and liabilities meet the definition of bona fide assets or liabilities for the purposes of government consolidated financial statements. However, we acknowledged that PSAB specifically allows government business enterprises to be consolidated without any adjustment of their accounting policies, and therefore we accepted this accounting treatment.

We continue to be concerned, however, about their inclusion; because both the regulator and the regulated entity are owned and controlled by the government that created them, the government has significant influence on what costs will be recognized in the electricity sector in any given year rather than these decisions being made by a totally independent regulator. An argument could therefore be made that all assets and liabilities and any income impact arising from rate-regulated accounting should be removed from the government's consolidated financial statements as part of the consolidation process. PSAB already calls for all assets and liabilities that arise from inter-organizational transactions to be removed using such adjustments, and the government does so for all of its internal transactions except those in the electricity sector. In our view, it could simply extend this practice to all government operations to ensure that the province's financial results appropriately reflect and fairly present the government's transactions with external parties.

We commented in our *2009 Annual Report* that the CICA was adopting international accounting standards as part of its move to harmonize Canada's accounting practices with those in numerous other countries. We also noted that the International Financial Reporting Standards (IFRS) were silent on rate-regulated activities. This left those rate-regulated entities in Canada preparing to adopt the IFRS unclear as to whether they would still be allowed to recognize these rate-regulated assets and liabilities.

Since that time, there have been a number of developments. The latest of these came in September 2010, when the CICA's Accounting Standards Board (AcSB) noted that the London-based International Accounting Standards Board (IASB) will consider whether to amend the IFRS to make clear that they do not permit recognition of regulatory assets and regulatory liabilities. The IASB was also considering whether to incorporate issues relating to rate regulation into a future project on intangible assets. The AcSB decided that in view of this and other recent standard-setting activities in this area, entities with rate regulated activities may need additional time to prepare for the IFRS. The AcSB also decided that an optional deferral of the mandatory changeover date to the IFRS for this sector was warranted, but that the deferral should be for only one year, regardless of the disposition of the IASB's Rate-Regulated Activities Project. This means that entities such as Ontario's electricity-sector organizations with rate-regulated activities must now adopt the IFRS in their financial statements for fiscal periods beginning on or after January 1, 2012.

Although we support the AcSB's position on this issue, the government has expressed concern about it. In the 2010 Budget Addendum, the government indicated the following:

> In light of increased uncertainty regarding the future of rate-regulated accounting under IFRS and the need to ensure consistency with the decisions of regulatory authorities in Ontario, the government may need to take action to ensure the financial reports of rate-regulated entities continue to meet user needs.

We certainly agree with the government's desire to ensure that the financial reports of rate-regulated entities meet user needs. However, we are not convinced that ensuring "consistency with the decisions of regulatory authorities" necessarily achieves this aim. Along with the AcSB, we believe that users of a government's consolidated financial statements benefit most from statements that reflect actual results rather than results that, at a government's discretion, can exclude actual expenses if a government decides not to recover such costs from current electricity ratepayers. In essence, the costs are simply deferred for future generations to pick up.

Public Sector Accounting Board Initiatives

This section briefly outlines some of the more significant issues that the Canadian Institute of Chartered Accountants' (CICA's) Public Sector Accounting Board (PSAB) has been dealing with over the last year that may in future affect the province's consolidated financial statements.

INTRODUCTION

The CICA's Accounting Standards Board (AcSB), which is responsible for establishing Canadian accounting and financial reporting standards, is implementing a number of financial reporting changes to be used by all publicly traded companies. By 2011, the current Canadian generally accepted accounting principles used to prepare the financial statements of publicly accountable, profit-oriented enterprises will be replaced by an accounting framework set out in the International Financial Reporting Standards (IFRS). The AcSB is also reviewing and updating the standards applicable to not-for-profit organizations. These changes reflect the ongoing globalization of financial markets and the movement toward worldwide standards in several areas of business and government.

As indicated earlier in this chapter, PSAB has the authority to set accounting standards for the public sector. Some of the more significant financial accounting and reporting issues PSAB is currently working on include accounting for financial instruments, government transfers, and foreign exchange, and the impact of the IFRS on government business enterprises and public-sector not-for-profit organizations.

STANDARDS

Financial Instruments

The province uses financial instruments and derivatives, such as foreign-exchange forward contracts, swaps, futures, or options, to manage or hedge against risks related to debt it has issued in foreign currencies and/or at variable interest rates. Currently, PSAB guidance on accounting for derivatives is limited to their application in hedging foreign-currency items, such as the foreign-currency risk associated with holding a debt repayable in U.S. dollars.

In January 2005, the AcSB approved three new handbook sections, titled "Financial Instruments," "Comprehensive Income," and "Hedges," relating to such activities. Although these handbook sections were developed for the private sector—governments were not required to apply them—they did underscore the need to eventually address these issues from a public-sector perspective. Accordingly, PSAB has created a task force to consider how governments should account for financial instruments. One of the key issues the task force will address is whether changes in the fair market value of derivative contracts, similar to fluctuations in the market value of equities and bonds, should be recognized in a government's financial statements. A key aspect of this issue is whether such changes should affect the determination of a government's annual surplus or deficit.

The main rationale for recognizing changes in the fair market value of financial instruments is to ensure that, at the end of each fiscal period, assets and liabilities of an organization are recognized at their current value rather than their historical acquisition value. However, if such changes in value were recognized as immediate gains or losses, they could have a significant impact on the organization's annual surplus or deficit, even though such gains or losses may not have been realized and could be reversed in future years.

PSAB issued its Exposure Draft on Financial Instruments in September 2009. Among its more significant recommendations is that all gains and losses from fair value re-measurement be recorded in the Statement of Operations and that these gains and losses be reported separately from the province's other revenues and expenses so that the province's surplus or deficit clearly distinguishes the impact of re-measurement gains and losses. Hedge accounting would no longer be required, which would reduce some of the complexities associated with accounting for financial instruments that is present in the CICA standards. PSAB notes that the recommendations in this exposure draft will bring the financial accounting and reporting of financial instruments, including derivatives, in line with international developments. These proposed standards are essentially consistent with the accounting used by the private sector.

Responses from all governments to the exposure draft raised concern about the volatility that the proposed changes would likely introduce in government financial statements, especially in the calculation of the government's annual surplus or deficit. As well, a number of these responses observed that users would be confused with the two "bottom lines" that would arise from presenting gains and losses from fair value re-measurements separately from the government's other revenues and expenses. We share this particular concern. Specifically, users may not be able to readily distinguish which measure of the surplus or deficit is the true measure of the government's fiscal performance for the year.

PSAB is currently developing a re-exposure draft, to be issued in the near future, that addresses the concerns raised in the September 2009 exposure draft. Specifically, PSAB has indicated that it is considering excluding fair value re-measurement gains and losses from the Statement of Operations and presenting these in a separate financial statement—the Statement of Re-measurement Gains and Losses. Combined, the Statement of Operations and the Statement of Re-measurement Gains and Losses would then capture all changes in assets and liabilities, including changes in fair value.

Foreign-currency Translation

At present, PSAB standards include recommendations that allow gains and losses on foreign-currency-denominated items to be deferred and amortized to operations over time. PSAB notes that its accounting standard is the only one among the major accounting standards used throughout the world that allows deferral and amortization of such foreign-exchange gains and losses, and that this approach is not consistent either with its conceptual framework or with generally accepted asset and liability definitions.

In October 2009, PSAB issued an Exposure Draft on Foreign Currency Translation. Consistent with the direction provided in the September 2009 Exposure Draft on Financial Instruments, this exposure draft proposes to replace the current deferral provisions with the requirement that foreign-exchange gains and losses be immediately recognized as re-measurement gains and losses in the determination of the annual surplus or deficit. Again, these would be reported separately from the province's other revenues and expenses so that the province's surplus or deficit clearly distinguishes the impact of re-measurement gains and losses arising from foreign exchange.

However, comments received on the October 2009 exposure draft raised largely the same concerns as those about the September 2009 Exposure Draft on Financial Instruments. Accordingly, PSAB is currently developing a re-exposure draft to be issued in the near future. The proposed standards in the re-exposure draft, similar to the re-exposure draft on financial instruments, would report re-measurement gains and losses outside of the statement of operations.

Government Transfers

PSAB has been working for some time to amend its standard on government transfers to address a number of issues raised by the government community. Although there are a number of issues that need to be addressed, the principal question concerns how multi-year funding for capital transfers provided by one government to another should be accounted for. Given the billions of dollars in government transfers made annually, the revised standard has the potential to significantly affect a government's reported financial results.

A variety of views have been expressed, and PSAB has faced challenges in obtaining a consensus on the revisions that should be made to the existing standard.

As indicated earlier, the more recent re-exposure draft, issued in May 2010, would essentially allow a recipient government to recognize a transfer as a liability rather than immediately as revenue if the transfer must be used to provide services in the future. PSAB is currently analyzing the comments received on this third re-exposure draft, and a final standard is expected by early 2011.

Financial Reporting by Government Not-for-profit Organizations

Currently, government not-for-profit organizations, such as hospitals, colleges, and universities, are directed by PSAB to follow the CICA standards for not-for-profit organizations. The AcSB establishes generally accepted accounting principles for private-sector profit-oriented enterprises and private-sector not-for profit organizations. The AcSB is in the process of evaluating options for future financial reporting and accounting standards for private-sector not-for-profit organizations. In March 2010, PSAB issued an Exposure Draft on Financial Reporting by Government Not-for-Profit Organizations. PSAB is currently analyzing the comments received on this exposure draft.

PSAB's Conceptual Framework

PSAB's conceptual framework is a set of interrelated objectives and fundamentals that support the development of consistent accounting standards. It is the basis on which interested stakeholders, including legislative auditors, those who prepare government financial statements, and the PSAB discuss and assess proposals to address accounting issues. The key benefit of the conceptual framework is that it instills discipline into standard-setting and ensures that accounting standards are objective, credible, and consistent.

In response to concerns raised by the senior government finance community, PSAB is implementing a strategy to review its conceptual framework. PSAB has formed the Conceptual Framework Task Force, the objective of which is to review the appropriateness of the concepts and principles in the existing conceptual framework for the public sector in the Public Sector Accounting Handbook. The Task Force was to begin meeting in fall 2010.

Statutory Matters

Under section 12 of the *Auditor General Act,* I am required to report on any Special Warrants and Treasury Board Orders issued during the year. In addition, section 91 of the *Legislative Assembly Act* requires that I report on any transfers of money between items within the same vote in the Estimates of the Office of the Assembly.

LEGISLATIVE APPROVAL OF EXPENDITURES

Shortly after presenting its budget, the government tables detailed Expenditure Estimates in the Legislative Assembly outlining, on a program-by-program basis, each ministry's spending proposals. The Standing Committee on Estimates (Committee) reviews selected ministry estimates and presents a report on them to the Legislature. The estimates of those ministries that are not selected for review are deemed to be passed by the Committee and are so reported to the Legislature. Orders for Concurrence for each of the estimates reported on by the Committee are debated in the Legislature for a maximum of two hours and then voted on.

Once the Orders for Concurrence are approved, the Legislature provides the government with legal spending authority by approving a *Supply Act*, which stipulates the amounts that can be spent by ministry programs, typically those set out in the estimates. Once the *Supply Act* is approved, the individual program expenditures are considered to be Voted Appropriations. The *Supply Act* pertaining to the fiscal year ended March 31, 2010, received Royal Assent on May 18, 2010.

The *Supply Act* is typically not passed until well after the start of the fiscal year—and sometimes even after the related fiscal year—but ministry programs require interim funding approval prior to its passage. For the fiscal year ending March 31, 2010, the Legislature authorized these payments by passing two acts allowing interim appropriations: the *Interim Appropriation for 2009–2010 Act, 2008;* and the *Supplementary Interim Appropriation for 2009–2010 Act, 2009*. These two acts received Royal Assent on November 28, 2008, and June 5, 2009, respectively, and authorized the government to incur up to $101.1 billion in public service expenditures, $3.1 billion in investments of the public service, and $173.3 million in legislative office expenditures. Both acts were made effective as of April 1, 2009, and provided the government with sufficient temporary appropriations to allow the government to incur expenditures from April 1, 2009, to March 31, 2010.

Because the legal spending authority under these two acts was intended to be temporary, they were repealed under the *Supply Act, 2010,* and the authority to incur expenditures provided under them was subsumed into the authority provided under the *Supply Act, 2010*.

SPECIAL WARRANTS

Section 1.0.7 of the *Financial Administration Act* allows for the issuance of Special Warrants authorizing the incurring of expenditures for which there is no appropriation by the Legislature or for which the appropriation is insufficient. Special Warrants are authorized by Orders-in-Council approved by the Lieutenant Governor on the recommendation of the government.

For the fiscal year ending March 31, 2010, one Special Warrant totalling $21,311,300 was approved by an Order-in-Council dated March 4, 2010. This Special Warrant was required because the amount of expenditures authorized under the *Interim Appropriation for 2009–2010 Act, 2008* and the *Supplementary Interim Appropriation for 2009–2010 Act, 2009* was not sufficient after March 3, 2010. As a result, the Special Warrant allowed legislative offices to incur expenditures from March 4, 2010, until the end of the fiscal year.

TREASURY BOARD ORDERS

After December 15, 2009, section 1.0.8 of the *Financial Administration Act* allows the Treasury Board to make an order authorizing expenditures to supplement the amount of any voted appropriation that is expected to be insufficient to carry out the purpose for which it was made. (The *Treasury Board Act, 1991* allowed these orders before it was repealed on December 15, 2009.) The order may be made only if the amount of the increase is offset by a corresponding reduction of expenditures to be incurred from other voted appropriations not fully spent in the fiscal year. The order may be made at any time before the books of the government for the fiscal year are closed. The government considers the books to be closed when any final adjustments arising from our audit have been made and the Public Accounts have been tabled in the Legislature.

Even though the *Treasury Board Act, 1991* has been repealed, subsection 5(4) of the repealed act continues to allow the Treasury Board to delegate to any member of the Executive Council or to any public servant employed under the *Public Service of Ontario Act, 2006* any power, duty, or function of the board, subject to limitations and requirements that the board may specify. This delegation under the repealed act will continue to be in effect until replaced by a new delegation. For the fiscal year ended March 31, 2010, the Treasury Board delegated its authority to ministers for issuing Treasury Board Orders to make transfers between programs within their ministries, and to the Chair of the Treasury Board for making transfers in programs between ministries and making supplementary appropriations from contingency funds. Supplementary appropriations are Treasury Board Orders whereby the amount of an appropriation is offset by reducing the amount available under the government's centrally controlled contingency fund.

Figure 7 summarizes the total value of Treasury Board Orders issued for the past five fiscal years. Figure 8 summarizes Treasury Board Orders for the fiscal year ended March 31, 2010, by month of issue. Treasury Board Orders increased significantly over the 2008/09 fiscal year, primarily in the Ministry of Finance and Ministry of Energy and Infrastructure, as a result of loans to the auto sector and infrastructure stimulus spending.

According to the Standing Orders of the Legislative Assembly, Treasury Board Orders are to be printed in *The Ontario Gazette*, together with explanatory information. Orders issued for the 2009/10 fiscal year are expected to be published in *The Ontario Gazette* in December 2010. A detailed listing of 2009/10 Treasury Board Orders, showing the amounts authorized and expended, is included as Exhibit 3 of this report.

Figure 7: Total Value of Treasury Board Orders Issued, 2005/06–2009/10 ($ million)

Source of data: Treasury Board

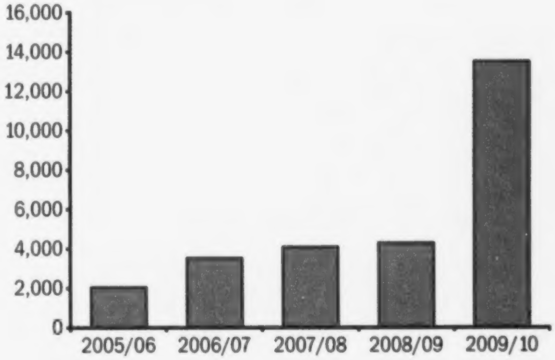


Figure 8: Treasury Board Orders by Month of Issue, 2009/10

Source of data: Treasury Board

Month of Issue	#	Authorized ($)
April 2009-February 2010	89	3,534,624,200
March 2010	36	8,983,994,500
April 2010	11	980,752,400
May 2010	1	295,000
July 2010	1	1,790,000
[illegible]	[illegible]	[illegible]

TRANSFERS AUTHORIZED BY THE BOARD OF INTERNAL ECONOMY

When the Board of Internal Economy authorizes the transfer of money from one item of the Estimates of the Office of the Assembly to another item within the same vote, section 91 of the *Legislative Assembly Act* requires that we make special mention of the transfer(s) in our Annual Report.

Accordingly, with respect to the 2009/10 Estimates, the following transfers were made within Vote 201:

From:	Item 1	Office of the Speaker	$ (55,700)
	Item 3	Legislative Services	$ (54,500)
	Item 4	Information and Technology Services	$ (21,100)
	Item 6	Sergeant at Arms and Precinct Properties	$ (42,200)
To:	Item 2	Office of the Clerk	$ 5,800
	Item 5	Administrative Services	$ 165,500
	Item 12	Lieutenant Governor's Suite	$ 2,200

UNCOLLECTIBLE ACCOUNTS

Under section 5 of the *Financial Administration Act*, the Lieutenant Governor in Council, on the recommendation of the Minister of Finance, may authorize an Order-in-Council to delete from the accounts any amounts due to the Crown that are deemed uncollectible. The amounts deleted from the accounts during any fiscal year are to be reported in the Public Accounts.

In the 2009/10 fiscal year, receivables of $410.3 million due to the Crown from individuals and non-government organizations were written off (in 2008/09, the comparable amount was $390.2 million). The major portion of the writeoffs related to the following:

- $316.7 million for uncollectible receivables under the Student Support Program (2008/09 – $14.9 million);
- $55.5 million for uncollectible corporate tax (2008/09 – $138 million);
- $21.4 million for uncollectible retail sales tax (2008/09 – $126.5 million);
- $5.4 million for uncollectible employer health tax (2008/09 – $25.9 million); and
- $5 million for uncollectible receivables under the Ontario Disability Support Program (2008/09 – $12 million).

Volume 2 of the 2009/10 Public Accounts summarizes the writeoffs by ministry. Under the accounting policies followed in the preparation of the consolidated financial statements of the province, a provision for doubtful accounts is recorded against accounts receivable balances. Accordingly, most of the writeoffs had already been expensed in the government's consolidated financial statements. However, the actual deletion from the accounts required Order-in-Council approval.

Chapter 3

Reports on Value-for-money Audits

Our value-for-money (VFM) audits are intended to examine how well government, organizations in the broader public sector, agencies of the Crown, and Crown-controlled corporations manage their programs and activities. These audits are conducted under subsection 12(2) of the *Auditor General Act*, which requires that the Office report on any cases observed where money was spent without due regard for economy and efficiency or where appropriate procedures were not in place to measure and report on the effectiveness of service delivery. Where relevant, such audits also encompass compliance issues. This chapter contains the conclusions, observations, and recommendations for the value-for-money audits conducted in the past audit year, except for those previously published in a special report during the year.

The ministry programs and activities and the organizations in the broader public sector audited this year were selected by the Office's senior management on the basis of various criteria, such as a program's or organization's financial impact, its significance to the Legislative Assembly, related issues of public sensitivity and safety, and the results of past audits and related follow-up work.

We plan, perform, and report on our value-for-money work in accordance with the professional standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants. Accordingly, our audits include such tests and other procedures as we consider necessary in the circumstances, including obtaining advice from external experts when needed. Our testing generally focuses on activities and transactions conducted in the most recently completed fiscal year.

Before beginning an audit, our staff conduct in-depth research into the area to be audited and meet with auditee representatives to discuss the focus of the audit. During the audit, staff maintain an ongoing dialogue with the auditee to review the progress of the audit and ensure open lines of communication. At the conclusion of the audit fieldwork, which is normally completed by late spring of that audit year, a draft report is prepared, reviewed internally, and then discussed with the auditee. Senior Office staff meet with senior management from the auditee to discuss the draft report and to finalize the management responses to our recommendations. In the case of organizations in the broader public sector, discussions are also held with senior management of the funding ministry. All responses are then incorporated into the report in each of the VFM sections.

Chapter 3
Section
3.01

Alcohol and Gaming Commission of Ontario

Casino Gaming Regulation

Background

Under the *Criminal Code* of Canada, provinces are assigned responsibility for regulating, licensing, and operating legal forms of gaming. In Ontario, two Crown agencies, with different responsibilities and an arm's-length relationship, are primarily involved in overseeing casino gaming. The Alcohol and Gaming Commission of Ontario (Commission), as the "regulator," has a mandate to regulate, license, and inspect all gaming facilities, and to enforce gaming legislation. The Ontario Lottery and Gaming Corporation (OLG), as the "operator," builds, manages, and operates, either directly or by contracting with private-sector operators, Ontario's casinos and slot machine facilities at horse racetracks. During our audit, the Commission initially reported to the Minister of Consumer Services, and subsequently to the Attorney General. OLG reports to the Minister of Finance.

As Figure 1 indicates, there are 27 gaming facilities in Ontario. OLG directly operates 22 casino gaming facilities in Ontario, including 17 facilities at racetracks that have only slot machines ("slot facilities") and five casinos with both table games and slot machines. As well, OLG has contracted with private-sector operators to run the day-to-day operations of one smaller casino and its four largest gaming facilities, known as "resort casinos." These resort casinos offer more gaming options, higher wagering limits, and a wide range of amenities such as hotels, entertainment venues, and meeting and convention areas. Casino gaming was first introduced in Windsor in 1994, and after that time two new gaming facilities, on average, were added each year until 2006.

In the 2009/10 fiscal year, OLG casino gaming operations generated over $3.4 billion in revenues and incurred $2.5 billion in operating costs, for a net profit of $900 million for the province. Over 85% of all revenues are generated by slot machines. In addition, OLG paid $341 million to support the horse racing industry, and OLG and private operators paid host municipalities $78 million. Casino gaming facilities employ almost 17,000 staff.

The Commission was established in 1998 under the *Alcohol and Gaming Regulation and Public Protection Act, 1996*, replacing both the Gaming Control Commission and the Liquor Licence Board of Ontario. This act requires that the Commission exercise its powers and duties in the public interest and in accordance with the principles of honesty, integrity, and social responsibility. The *Gaming Control Act, 1992* and its regulations prescribe operating, registration, and commission-approval requirements covering key gaming suppliers and employees, the layout of gaming facilities, security, surveillance plans, controls over accounting and

Figure 1: OLG Gaming Facilities and Revenues as of March 31, 2010

Source of data: Ontario Lottery and Gaming Corporation

	Slot Facilities at Racetracks	Smaller Casinos Operated Primarily by OLG	Resort Casinos	Total
gaming facilities	17	6	4	**27**
slot machines	11,073	2,925	9,681	**23,679**
table games	–	129	375	**504**
total patrons annually	17,550,000	5,850,000	16,700,000	**40,100,000**
employees	3,800	2,500	10,500	**16,800**
revenue from slot machines	$1,685 million	$340 million	$960 million	**$2,985 million**
revenue from table games	–	$53 million	$396 million	**$449 million**
total gaming revenue/% of total	$1,685 million/ 49%	$393 million/ 11%	$1,356 million/ 40%	**$3,434 million/ 100%**

money handling, rules of play, equipment, chips and tokens, advertising, customer credit, the exclusion of persons from gaming premises, and the Commission's investigation and enforcement powers.

The Commission operates from its head office in Toronto and nine regional offices. Its total operating expenditures for the 2009/10 fiscal year were about $63 million, of which about $27 million related to casino gaming. That same year, the Commission received approximately $10 million in casino gaming revenues from fees that casinos pay to register employees, suppliers' registrations and product approvals, cost recoveries from investigations, and levying fines.

Audit Objective and Scope

Our audit objective was to assess whether the Alcohol and Gaming Commission of Ontario (Commission) had adequate policies, procedures, and systems in place to:

- ensure that gaming at casinos and slot facilities in Ontario was regulated in accordance with established policies and legislative requirements; and
- measure and report on the effectiveness of its regulatory activities designed to ensure that gaming at casinos and slot facilities in Ontario met the principles of honesty and integrity, and were in the public's interest.

We conducted our audit work at the Commission's head office in Toronto and also visited six OLG gaming facilities, including two slot facilities at racetracks and one casino—all operated directly by OLG—and three large resort casinos operated by private companies on behalf of OLG. We interviewed commission head office and field staff; observed the activities of staff stationed at gaming facilities; conducted tests and other procedures; and examined recent policies, records, and other relevant documents that were available during our fieldwork. We also engaged an independent accredited gaming testing lab from outside of the province to assess the Commission's technical standards and the testing procedures its Electronic Gaming Branch uses to approve all new electronic gaming equipment, primarily slot machines, and to conduct random and scheduled inspections of electronic gaming equipment installed in gaming facilities.

Our audit was limited to the Commission's regulatory activities and did not include an audit of OLG's operation of casinos. Nonetheless, our audit did involve certain work at gaming facilities and we received full co-operation from OLG and its private operators. For instance, we met with

OLG management staff at their head office and at gaming facilities, and with private operators at OLG resort casinos, who gave us tours of their operations, shared their perspectives on regulatory controls over casino gaming, and described controls in casinos and the key risks and challenges facing the gaming industry.

We researched casino gaming regulations and operations in several North American and international jurisdictions. We engaged on an advisory basis the services of two independent experts in casino gaming: one having significant legal experience in U.S. gaming regulation; the other having significant Canadian executive experience in casino operations. We met with representatives from the British Columbia Lottery Corporation to discuss their perspectives on regulatory controls over casino gaming, and we attended the annual conference of North American gaming regulators, which addressed current issues, trends, and challenges facing the industry.

The ministries' and Commission's internal audit divisions had not conducted any recent audits of casino gaming activities that would allow us to reduce the scope of our audit. However, OLG and its private operators had put in place regular ongoing financial and operational audits at each casino and slot facility to verify that financial controls were in place and operating effectively, and to ensure compliance with legislative, licensing, and other regulatory requirements. The results are shared with the Commission as part of its regulatory oversight. The Commission also audits gaming facilities on a regular basis. We took these audits into consideration in reaching our conclusions.

Summary

From an overall perspective, the most important expectation that casino customers (often referred to as "patrons" by the gaming industry) have of slot machines is that the machines actually pay out the regulated minimum payout amount. Casino patrons who participate in table games such as blackjack or craps want assurance that casino employees are honest and effectively overseen, and that the games are run fairly. The general public also expects casinos and slot facilities to be run fairly and honestly.

Overall, we concluded that the Commission had adequate systems, policies, and procedures to accomplish this. In fact, our research of other jurisdictions and expert advice indicated that Ontario's regulatory framework for casinos is not only comprehensive, but provides for one of the stronger oversight mechanisms in North America. The Commission's focus on key risks covering revenues, gaming integrity, and criminal activity involved good preventive and effective ongoing oversight. The Commission's in-house electronic gaming equipment testing lab and its electronic gaming enforcement officers working at gaming facilities use comprehensive technical standards and effective procedures for ensuring that slot machines and other gaming equipment operate as intended. This was confirmed by the independent accredited gaming testing lab that we hired.

However, we did note a number of areas in which the Commission's oversight procedures and gaming transparency could be enhanced, as follows:

- Some U.S. jurisdictions, such as Nevada and New Jersey, provide information on the actual payout ratios for slot machines in casinos and whether these payout percentages vary depending on the machine's denomination category—for instance, a one-dollar machine or a penny machine. Ontario does not provide this information, yet we believe that slot machine patrons in Ontario would appreciate having it.
- We noted that patrons would find it difficult to locate information on the maximum prize payout on certain slot machines. Aside from being useful information, this is an important disclosure should the machine malfunction and

award an erroneous jackpot. This occurred twice in the last two years, when two $42 million jackpots were awarded by machines that were supposed to pay a maximum of $40,000 and $300, respectively. In addition, the Commission does not require casinos to post the odds of winning a jackpot on slot machines.

- The Commission sets no minimum training standards for key gaming employees, such as table dealers and surveillance staff, to ensure that they are aware of the many rules and procedures they must follow and to help them identify criminal activities and problem gamblers.
- During the 2008/09 fiscal year, commission inspectors at three of the four gaming facilities we tested were unable to complete their goal of inspecting all slot machines, and gaming audit and compliance inspectors were also behind schedule in verifying that gaming facilities were in compliance with approval requirements and their internal control manuals. The Commission needed to improve its risk assessments to allow it to focus more of its audit and inspection staff on higher-risk gaming facilities and less on lower-risk facilities.
- Although satisfactory procedures exist for approving new registrations for gaming suppliers and gaming assistants, we noted 12 instances where the Commission granted registration renewals to gaming suppliers even though it had not received required information from them or performed necessary investigations. Even though the Commission had not completed the renewal process for these suppliers, for more than a year after the expiry of their registration it treated them as if they had renewed; in one case, the renewal was overdue by 34 months.
- In determining registration eligibility, the Commission had no policy for dealing with conflict-of-interest situations involving related employees working in the same casino. Instead, it relied on casino and slot facility operators to deal with these situations.

OLG has primary responsibility for operating its casinos with controls, systems, and procedures that address social and financial risks and gaming integrity in accordance with legislative requirements. Although we did not audit OLG, our discussions with its staff and visits to casinos and racetrack slot facilities indicated that it also has established extensive and comprehensive systems, controls, and verification processes to help ensure that casinos eliminate, or at least mitigate, the risks associated with the gaming industry. As a further control on the industry, the Commission has a regulatory mandate to independently control, oversee, and verify the adequacy of OLG's operations.

On a somewhat related issue, Ontario residents currently spend an estimated $400 million annually on foreign-based Internet gaming websites. The foreign gaming operators do not provide the province with a share of these revenues, and the Commission does not have a mandate to regulate Internet gaming. The Ontario Provincial Police (OPP) is responsible for enforcing the *Criminal Code* as it applies to gaming operators that operate illegally in Ontario; however, enforcement is problematic when dealing with foreign-based gaming operations. We noted that many international jurisdictions use a range of approaches to Internet gaming, from prohibiting or restricting it to regulating and taxing its operators. British Columbia offers Internet gaming, Quebec intends to introduce it before the end of 2010, and in August 2010 OLG announced plans to introduce its own Internet gaming website in 2012.

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We appreciate the Auditor General's overall conclusion that the Commission has adequate systems, policies, and procedures in place to ensure that casinos and slot facilities are run fairly and honestly, that casino employees are honest and are effectively overseen, and that the games are run fairly. We welcome the recommendations

in this report—especially those that help to further strengthen the Commission's regulatory oversight over government-operated commercial gaming activities.

Detailed Observations

OVERALL REGULATORY CONTROLS

Casinos can provide significant economic benefits to the province and local communities, such as profits and increased local employment, business, and tourism. Yet there are also risks inherent in the casino industry. As is the case in other jurisdictions, the Ontario government set a goal to operate casinos in the public interest and in accordance with the principles of honesty, integrity, and social responsibility. In meeting this goal, there are ongoing challenges, such as the following:

- Social risks need to be managed to ensure that customers gamble responsibly within their limits to avoid dire financial and family consequences, and to prevent criminal elements from exploiting casinos with illegal activities such as money laundering and loan sharking, and from controlling goods-and-services supply chains used by casinos.
- The cash nature of the business, especially with respect to betting on table games, and the large amounts processed daily by casinos pose a financial risk of losses from accounting and money-handling errors, and from theft by employees, customers, and criminal organizations.
- The integrity of the game must be perceived as fair to patrons and the public at large. To prevent cheating or erroneous payouts, the necessary oversight processes must be in place to ensure that games of chance and slot machines cannot be manipulated. A loss of confidence in the fairness of the industry could significantly lower attendance and reduce revenues.

The Commission's regulatory measures, as prescribed by the *Gaming Control Act, 1992* (Act) and as established by its policies and procedures, include:

- registration of key gaming employees and commercial suppliers to gaming facilities following an investigation, including criminal background checks by the OPP, into all applicants to ensure that they meet high standards of honesty and integrity and act in accordance with the law;
- approval of rules of play for games of chance to ensure that they are in accordance with the Commission's standards, and verification that all table games and electronic gaming equipment meet the Commission's standards and are from approved suppliers;
- approval of the internal control manuals prepared by each casino operator for the safe and timely handling, accounting, and movement of money;
- approval of security, surveillance, and floor plans for all gaming premises according to standards established by the Commission;
- full-time presence of the OPP at all casinos and part-time presence at slot facilities at racetracks to help deter, identify, and investigate criminal activities;
- cyclical audits of all gaming premises by commission staff to assess compliance with the requirements of the premises' internal control manual, and with anti-money-laundering measures;
- frequent inspections by compliance inspectors of gaming premises to monitor and test compliance with the Act, its regulations and licensing requirements, internal control systems, surveillance and security plans, standards and directives, and approved rules of play; and
- pre-installation and random inspections of electronic gaming equipment and gaming

management systems, and independent verification of each large jackpot won from electronic gaming equipment.

Overall, we concluded that the Commission had adequate systems, policies, and procedures for regulating casino gaming in Ontario, and our research, including our reviews of other jurisdictions in North America, indicated that Ontario's regulatory framework for casinos was comprehensive. We did, however, identify certain areas where the Commission should either improve or reassess its systems and procedures, particularly with respect to communicating better information on games of chance to patrons, renewal of registrations, approval of electronic gaming equipment, frequency of inspections and audits, and reporting to the public and the Legislative Assembly on its performance in achieving its regulatory mandate and on the integrity of Ontario's gaming industry.

CONTROLS OVER GAMES

Electronic Gaming

We found an extensive system of controls in place to ensure the integrity and security of electronic gaming equipment, which includes some 24,000 slot machines at gaming facilities, as well as computer systems linked to slot machines, playing-card shufflers, and self-serve ticket and money-redemption machines. The Commission's controls include minimum standards for electronic gaming equipment, in-house testing of new gaming equipment proposed by manufacturers before approval is granted for its use in Ontario, verification of all new gaming equipment before installation and when changes are made, sealing of key electronic components of the equipment to prevent access once the machine has been tested, limiting access to equipment service areas, and periodic random testing of installed electronic games to identify any changes or tampering. Another key control is the testing of slot machines that have awarded a large jackpot.

Four U.S. states and Quebec are the only other jurisdictions in North America that have the capacity internally to test electronic gaming equipment. Generally, their labs are responsible for assessing all electronic gaming equipment, including slot machines and related software, for casino use. Other jurisdictions rely on private labs to test their electronic gaming equipment. The Commission's Electronic Gaming Branch (Branch) includes 10 staff in its head office and 32 electronic gaming enforcement officers who work at gaming facilities. We found that the Branch had established quality assurance measures for its lab and was working toward accreditation to an ISO standard.

We contracted a private testing lab to examine and report on testing of electronic gaming equipment carried out at the Commission's gaming lab and ongoing inspections of installed gaming equipment at casinos and slot facilities. The testing lab concluded that the Branch had satisfactory security controls in place to prevent loss, damage, or unauthorized access; technical standards were consistent with those applied by regulators in other North American jurisdictions; testing procedures adequately addressed the standards; and an effective management system and internal controls were in place to ensure accuracy and consistency in results and product approvals. In addition, the testing lab found that procedures used by field workers were adequate for testing slot machines in operation in the casinos and at slot facilities.

Slot Machines

In Ontario, the Commission has established a minimum theoretical payout of 85% of money wagered for all games played on slot machines. The result of each game played is determined using a random number generator built into the slot machine and there is no guarantee to win a prize on any given game; however, over time, the machine's total payout relative to all money played is a percentage programmed in what is known as the machine's "pay table." It may take hundreds of thousands of plays before the pre-programmed payout rate—also called the "return to player"—is reached. A casino or slot facility in Ontario may choose an overall payout rate higher than 85%, but cannot set a machine with a lower payout. In order to change the payout rate of any slot machine, a request must be submitted to the Commission for approval and an inspection.

The Commission's minimum theoretical payout standard of 85% compares favourably to other North American jurisdictions, which we found to have lower minimum payout rates. More importantly to players, OLG and private operators typically set slot machine payout rates at about 91% to 93%, which is similar to return-to-player rates publicly reported by some other North American jurisdictions we researched.

To ensure that slot machines pay minimum returns, the Commission conducts a quarterly review of a report on each of the 24,000 slot machines in play to assess the actual return-to-player rate. Machines paying less than 85% or over 100% are flagged for review and possibly an inspection. Slot machines paying outside the expected range are either removed from service or monitored at 30-day intervals until they are in compliance. Where a slot machine that is identified as not meeting the minimum payout is normal, this is usually due to low volumes of play and low recent prize payouts by the machine. In the quarterly reports we reviewed for the year preceding our audit, less than 0.1% of all machines paid less than 85%, and most of these were paying in the range of 84% to 84.99%. No electronic gaming enforcement officers at gaming premises we visited could recall a slot machine that needed to be taken out of play for not meeting the minimum required payout rate of 85% over time. Similarly, machines rarely overpay over time, although their payout rate might exceed 100% in the short term if they have recently paid a jackpot.

We believe that information on the minimum 85% payout and the actual average payouts of each casino and type of slot machine (for instance, a one-dollar machine or a penny machine) should be made public on the Commission's website. We noted that Nevada and New Jersey publicly report return-to-player information for each of their casinos. This would also provide the opportunity for the Commission to assure gaming patrons and the public at large of its key role in overseeing actual payouts and in ensuring the reliability of information regarding gaming in Ontario. We believe that patrons would welcome this information and that it would allow the Commission to better communicate its role in ensuring the fairness and integrity of gaming in Ontario.

Disclosure of Maximum Prize Payouts and Odds of Winning for Individual Slot Machines

The Commission sets a standard for the provision of information to customers on slot machines' maximum possible prizes. We question, however, whether this standard is sufficient. On our site visits, we found that maximum prize amounts and prize tables were not always easy for customers to access. In many cases, either the information was not available or the player needed to navigate through multiple video screens to obtain it. For slot games that had variations of play based on the amount wagered, the screens were often complicated and unclear as to the maximum payouts. Some machines referred to credits instead of monetary payouts. When we asked both the local electronic gaming enforcement officer and the casino's slot attendant staff to find the maximum payout information on slot machines we had randomly selected, they also had difficulty finding or could not find the information for several machines. We also noted progressive slot machines (whose jackpots grow with each play) that did not have the maximum payout sign as required by commission standards. There is also no standard and requirement for disclosing on the slot machine the odds of winning the jackpot.

We noted that there have been two large jackpot errors with slot machines over the last two years at OLG gaming facilities. Coincidentally, both erroneous jackpots were $42 million, whereas the maximum jackpots were intended to be $40,000 and $300, respectively. Some other jurisdictions also incurred similar situations. Although OLG is not legally obligated to pay out jackpots caused by equipment failure, these incidents would be easier to explain to patrons as equipment errors if the maximum prize payout were posted on the machines and relatively easy for patrons to identify.

Slot Machine Inspections

The Electronic Gaming Branch's annual risk assessments did not address inspection frequency. Our discussions with field staff identified that their goal is to inspect all 24,000 slot machines at least once per year. We reviewed inspection frequencies at four of the gaming facilities we visited. During the year ended February 2010, at one gaming facility, all slot machines were inspected; at two facilities, about 95% were inspected; and at the fourth facility, less than 80% were inspected. It is important to note, however, that historically such inspections identified only minor deficiencies, such as loose lock hardware, loose buttons and hinges, and light bulbs not working. Nevertheless, we also noted that electronic gaming enforcement officers conducted about 50,000 inspections annually over the last three years, including inspections for new machine installations, supplier notifications, and equipment malfunctions, as well as random inspections. At the casinos we visited, electronic gaming enforcement officers did not recall any instance of a jackpot involving a slot machine that had been tampered with. When an unusual jackpot win of $42 million occurred at one slot facility, all the machines with similar software were shut down within an hour, and the cause of the error was subsequently determined to be a hardware malfunction. Slot machine suppliers notify the Commission if a problem with a slot machine or brand is identified either by them or in another jurisdiction. We understand that, in the current and previous fiscal years, the Commission issued 17 critical supplier notifications as a result of receiving such information from suppliers. Our review indicated that all gaming sites we visited responded to these notifications by immediately taking the machines out of play or replacing defective components in a timely manner.

Seals on Sensitive Electronic Components

After each slot machine is newly installed or randomly inspected, an electronic gaming equipment officer affixes a tamper-proof serially numbered seal on its key hardware computer chip. A broken seal could indicate that the computer chip had been removed and possibly tampered with, which would be a serious incident triggering an investigation by the Commission, which could involve the OPP.

Although commission field staff record the serial number of each seal in their records, there are no periodic audits of seals. This results in a risk that seals could be misplaced, improperly recorded, or stolen and used inappropriately without being detected and accounted for. There is also a risk that a seal could be broken, the machine tampered with, and a new seal put on the machine to disguise the tampering. Our test of seal inventory at one casino noted three seals that were recorded as unused but were not in the vault. Upon further investigation, the electronic gaming enforcement officer was able to account for the seals having been used within the last three months but not recorded properly in the inventory logs. The Branch informed us that it accounts for seals sent out to electronic gaming enforcement officers and replenishes their inventory as needed, and relies on regional managers to monitor and review records on the use of seals.

Table Games

Because table games involve significant amounts of money, oversight to ensure that gaming rules are observed and the integrity of the game is maintained involves many layers of control. The cards and dice are replaced at regular and frequent intervals; a table games supervisor and pit managers oversee dealers; surveillance cameras record the play activity; and surveillance operators may watch the play, looking for compliance with procedures and for misconduct. Plainclothes OPP officers also have camera surveillance available to them. For each table game, the casino's backroom staff will calculate the hold (the percentage retained by the casino after paying winnings) and assess whether it is within an expected range. For example, roulette games are designed to result in the casino retaining, in theory, 5.6% of the amount wagered. As with slot machines, although the hold rate will vary between individual plays, over a period of time—several thousand plays—the targeted rate should be achieved. If it is not, this may be an indicator that a customer and/or a dealer is involved in dishonest conduct and is manipulating game results.

At the time of our audit, we were informed that the Commission's Audit and Gaming Compliance Branch had just completed a pilot project that analyzed payout rates on table games at each site. Largely because the payout associated with table games depends on the "roll of the dice" or the "fall of the cards" as well as the skill level of the patrons, the Commission cannot realistically set a required minimum percentage of payout on table games. However, it does consider the expected hold rates when approving the rules of play for a game. Commission analysis of hold rates will help confirm that the rules of play are being observed and help detect fraudulent activity that the casino might not detect.

We noted during our visits that OLG casinos require potential table game dealers to pass a four-to-six-week in-house training course before they work on the gaming floor. In addition to rules of play and dealing procedures, the training covers counterfeit currency detection, responsible gaming, customer services, and gaming security. Resort casino operators informed us that they generally hire experienced dealers who must first pass a test, followed by up to one week of training. We noted that neither the Act nor any regulation requires a specific level of competency or certification for dealers. The Commission does not specify minimum training requirements for dealers, although such requirements would be appropriate given dealers' direct involvement with customers and the expectation that they can identify issues pertaining to gaming integrity, money handling, and responsible gaming.

Surveillance

A Commission-approved surveillance plan requires a floor plan of the premises showing the placement of all surveillance equipment and a description of the operator's policies and procedures. Minimum standards set out surveillance requirements such as types of equipment, areas to be covered by surveillance, minimum camera coverage over gaming areas, recording requirements, minimum staffing levels in the surveillance room, and backup procedures should surveillance systems fail.

The Commission sets minimum surveillance staffing levels for each gaming facility based on square footage of the gaming floor; however, this method does not take into consideration varying risk at different casinos depending on the games played and the number of patrons during peak times of operation, such as on weekends. At several locations, we were informed that if the casino followed the Commission's minimum surveillance staff requirement, it could not operate effectively—it therefore used higher staffing levels. Casino staff informed us that table games posed the greatest risk to the operator, and surveillance staff generally focused a significant portion of their time on live viewing of table game activities. The risk of the operator being defrauded by a customer using slot machines was generally low because of their proven and mature technology.

We were informed that surveillance rooms themselves are not covered by surveillance cameras and recording. Although there is a requirement that surveillance operators always work in the presence of a supervisor, surveillance recording of the surveillance room itself would permit the commission compliance officer to randomly check previously recorded video to verify that the minimum number of surveillance staff were present and performing their surveillance duties, and that no unauthorized casino staff were in the surveillance room.

The Commission does not set minimum training requirements for surveillance staff, who would be expected to know the rules of each game, proper security measures, and operational procedures. For instance, in addition to monitoring table games, surveillance staff monitor security checkpoints, such as the casino entrance, and cash-handling procedures, such as activity in the money-counting rooms. One gaming operator informed us that its surveillance staff spend five days in the classroom, followed by 100 hours with an experienced surveillance operator, and that people who are hired have prior experience in security and loss prevention. At another location, surveillance staff undergo up to five weeks of training, and must achieve at least 75% on a final test. We were informed that OLG is considering creating a standardized training program for surveillance staff across the province, as British Columbia already has in place.

RECOMMENDATION 1

To provide more useful information to slot machine patrons and better communicate its role in ensuring the integrity of gaming in Ontario, the Alcohol and Gaming Commission of Ontario (Commission) should:

- make public the minimum 85% slot machine payout percentage, a range of actual payouts, and the Commission's role in overseeing this, similar to the public disclosures made in Nevada and New Jersey; and
- review its standards and approval processes for new and existing slot machines to ensure that the maximum prize payouts and odds of winning are clearly disclosed or readily obtainable on each machine.

To enhance its already strong controls over electronic gaming equipment, the Commission should:

- assess the reasons for its Electronic Gaming Branch not meeting its goal of inspecting all slot machines annually and, using a risk-based approach, assess the implications of this but also the need for an annual 100% inspection practice; and
- regularly audit its inventory controls over security seals intended to prevent tampering with electronic gaming equipment to ensure that proper accounting is in place and that unaccounted-for seals are immediately detected and investigated.

In addition, to ensure consideration of key risk factors relating to table games, the Commission should reassess its approval requirements for surveillance plans, including minimum surveillance staff levels at gaming facilities. To ensure that gaming operators' staff who work in key risk areas, such as table game dealers and surveillance staff, have sufficient training, the Commission should consider whether it should require casino staff to meet predefined standards of training and competency.

[illegible]

The Commission agrees with the principle that there be adequate, appropriate, and easily understood disclosure to consumers on how casino games, including slot machines, function and on enhanced payout disclosure. The Commission undertakes to consult with the OLG, gaming suppliers, government, and other interested stakeholders on how best to achieve the appropriate balance between this objective and the potential impact on business operations. The Ontario Lottery and Gaming Corporation, casino operators, and gaming equipment manufacturers have been aware of the minimum theoretical payout requirements since 1994,

and these have always been publicly available upon request. In addition, the Commission has recently included on its website the Electronic Gaming Equipment Minimum Technical Standards.

We agree with the audit recommendations on inventory control and have updated our procedures accordingly. In addition, the Commission will continue to implement its risk-based approach to slot machine inspections, including taking into consideration the Auditor General's recommendations.

The Commission will continue to review its approval requirements for surveillance plans and will consult with stakeholders on how to best address this recommendation.

GAMING AUDIT AND COMPLIANCE

Before a gaming facility is opened and for any changes thereafter, a regulation under the Act requires that operators obtain commission approval for the facility's layout, security equipment, games played, staffing and operating procedures, and financial controls. Commission approval is required for floor, surveillance, and security plans; all electronic and non-electronic gaming equipment; each type of game of chance played and its rules; chips and tokens; and internal control manuals covering compliance-related operating, accounting, and financial controls.

Commission-trained audit staff and regional compliance staff assess the ongoing compliance with the approved internal control manual, floor plan, security plan, and other requirements of the Act and its regulations. In addition, casino operators are required to report to the Commission any significant incidents of non-compliance or breach of approval requirements. Considering the size of Ontario's gaming industry, there are very few significant incidents identified by the Commission or brought to its attention by gaming operators or customers. As well, the OPP informed us that instances of criminal activity related to gaming, such as cheating, in gaming facilities are infrequent and are typically small and isolated cases.

As outlined in the following sections, we found approval requirements, ongoing compliance inspections, and other commission controls to be effective for ensuring that gaming premises are designed with proper security and financial controls, and for ensuring the integrity of games played.

Audits of Gaming Facilities

The Commission has a goal of auditing each gaming facility every 18 months for its compliance with the approved internal control manual. These commission audits take into account audit reports from OLG and resort casino operators' internal auditors, site auditors, and annual audits carried out by an external auditor. Operators of the gaming premises have 30 days to respond to the findings and must follow up on any significant issues within six months.

We noted that the Commission's audit section was behind schedule in auditing 15 of the 27 casino gaming sites, including all four resort casinos. More significantly, two of the four large resort casinos had not been audited more than two years after their 18-month due date—that is, more than three-and-a-half years after their previous audit. Although our review of commission reports from several recent audits carried out by the audit section and our discussions with staff at gaming sites indicated that these audits typically do not identify significant findings, the Commission needs to catch up on the audit backlog. Alternatively, the Commission should reassess its inspection frequency from a risk perspective, which we discuss under Risk Assessments later in this report.

Compliance Inspections

Commission compliance inspectors spend most of their time at larger gaming premises and attend part-time at smaller sites, where they respond to incidents, monitor gaming facilities, and conduct tests to verify that casinos operate in accordance with approval requirements. The Commission sets a minimum number of visits that its compliance inspectors must make to a gaming facility each year. It also requires that each gaming facility's site and operations be tested each year to ensure that all the key requirements of the approved plans and the internal control manual are adhered to. In addition, compliance inspectors assess gaming facilities under the *Liquor Licence Act* and its regulations, and ensure that gaming facilities comply with federal reporting requirements targeting money laundering.

In the 2008/09 fiscal year, compliance inspectors completed 2,400 out of 2,800 planned inspections, or about 86%. However, we noted that they did not complete all their required inspection tasks at nine of the 27 gaming premises; tasks completed at these nine sites ranged from 62% to 93% of the total required. Additional details about inspections were not recorded that could indicate whether certain types of inspections, such as evening and weekend visits, were carried out less frequently than planned.

Given that gaming facilities have many significant controls and verification procedures to ensure a very high level of compliance and oversight, the added risk of not completing all visits and inspection tasks might not be significant. Compliance inspectors cited commission staff shortages as the most common reason they did not meet their annual requirements.

Compliance inspectors informed us that operators consistently complied with issues identified in commission corrective action reports. We noted that the appropriate corrective action reports had been completed for the 124 breach reports for 2008/09 and 2009/10, which typically related to minor internal control breaches, such as access to the gaming floor by a minor and violations under the *Liquor Licence Act*. Only seven warning letters were issued over the same period to seven different gaming premises for such things as an operator failing to ensure that operations were conducted in compliance with the approved security, internal-control-system, floor, or surveillance plans; or an operator allowing employees to play games of chance on gaming premises. Monetary penalties for such infractions were implemented in January 2009 as an additional tool to achieve compliance for an incident where a warning is insufficient and a suspension or revocation of a registration is too severe. As of March 31, 2010, the Commission had issued one such monetary penalty to a casino operator.

Risk Assessments

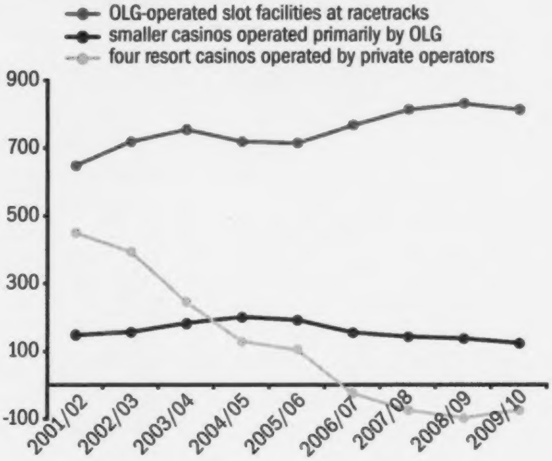
Ontario gaming facilities are under the control of the Ontario Lottery and Gaming Corporation (OLG); however, OLG contracts out the four largest casinos and one smaller casino to private operators. There is little difference in the level of controls the Commission has put in place at casinos operated directly by OLG and those that are privately operated, and all gaming facilities undergo similar inspection and auditing procedures and at the same frequency. Because Ontario's casino gaming industry is about 16 years old, its control systems are mature, and commission inspections generally do not find significant errors. As a result, there may be an opportunity for the Commission to revisit its procedures on an individual basis for each gaming facility by developing a control-risk framework that helps it decide on the level of scrutiny needed for adequate and cost-effective oversight. An assessment of risk should consider:

- previous history of incidents, complaints, and violations;
- recent changes to the casino's operations and management;
- types of games played, wagering limits, and new games introduced recently; and
- profits or losses of each casino.

For instance, Figure 2 indicates that OLG casinos have been consistently profitable over the last eight years, whereas resort casinos' profits have steadily declined. This information could indicate a greater

Figure 2: Profits Generated by Ontario Gaming Facilities Operated by OLG and Private Operators, 2001/02–2008/09 ($ million)

Source of data: Ontario Lottery and Gaming Corporation



risk at resort casinos as a result of any cost-cutting measures they introduce to address revenue declines, and the impact of these decisions on their ability to meet stringent operational requirements necessary under their approvals.

The Commission's risk assessments were not sufficiently comprehensive to focus its resources more on gaming facilities that have higher risk factors and allow less monitoring of other gaming facilities. This would affect decisions such as whether all operations of casinos are to be reviewed annually, whether commission compliance inspectors are stationed at casinos full-time or part-time, and whether OPP personnel need to be stationed at certain casinos full-time. Lower-risk gaming facilities would also benefit from fewer regulatory procedures.

Ontario is one of the few jurisdictions in North America that maintains an on-site police presence at gaming facilities. For resort casinos, OPP presence is maintained 24 hours a day, 7 days a week. In the 2008/09 fiscal year, the OPP dealt with almost 6,000 incidents at casinos and slot facilities, but only 29 criminal charges were laid at gaming premises. Cheating at play has been relatively rare in Ontario facilities. Other crimes committed at casinos, such as assault and petty theft, are turned over to the local police by the OPP, and suspicious money transactions from criminal activity or potentially for financing terrorist activity are investigated federally. We were informed by casino security staff that they can deal with most incidents, such as assaults and petty thefts, and local police can be called in if needed.

Both OLG and private operators have raised concerns regarding the extent of regulatory requirements in Ontario compared to other jurisdictions. As illustrated in Figure 2, profits generated by the four large resort casinos have declined significantly in recent years. In November 2008, the Commission created a Centre of Gaming Excellence that is responsible for researching, developing, and supporting the implementation of regulatory best practices. A new Regulatory Review Committee was established in November 2009 to provide a forum for resort casino operators, OLG, and the Commission to discuss casino industry issues, escalate key areas of concern, and provide advice to the Commission on existing and proposed policies and regulations.

RECOMMENDATION 2

Given that Ontario's gaming industry is mature and there is a high level of gaming facility compliance with its regulatory requirements, the Alcohol and Gaming Commission of Ontario (Commission) should develop comprehensive control-risk frameworks that would allow gaming facilities to be assessed individually for risk. Such a framework would allow the Commission to cost-effectively focus more of its regulatory oversight on higher-risk facilities and less on lower-risk ones and yet still achieve a prudent level of oversight. In developing these frameworks, the Commission should also assess the reasons for and the potential impact of its audit and compliance staff not achieving the targeted number of audits and inspections of gaming facilities.

The Commission will continue to use a risk-based approach to conducting casino audit and compliance activities. This risk-based approach coupled with the Commission's current gaming modernization initiative are designed to achieve a balance between enhancing regulatory efficiency and effectiveness while addressing the operational and business-flexibility needs of the industry.

GAMING SUPPLIER AND EMPLOYEE REGISTRATION

The Act requires that suppliers of goods and services, trade unions, and certain employees at gaming facilities be registered with the Commission and have their registrations renewed every four years. Suppliers are differentiated as "gaming related" and "non-gaming related." Gaming-related suppliers include operators of casinos under contract to OLG and businesses that manufacture, provide, install, maintain, or repair gaming equipment, surveillance equipment, or gaming management systems. Non-gaming-related suppliers provide to gaming premises goods and services that are not directly related to gaming, such as construction, furnishings, repair, or maintenance. A more in-depth investigation and registration process is undertaken with the 43 gaming-related suppliers than with the over 2,400 non-gaming-related suppliers, owing to the higher degree of risk with the former to the gaming operations.

A regulation of the Act establishes two categories of gaming assistants: "gaming key employees" and "gaming employees." Gaming key employees are those individuals who exercise significant decision-making authority over the operations of the gaming premises, such as credit managers, cashier supervisors, and table game managers. Gaming employees are those employed in the operation of a casino whose regular duties require access to any areas of the premises used for gaming-related purposes (such as dealers, security personnel, and cashiers) but who do not supervise other employees. As of March 31, 2010, there were approximately 2,800 gaming key employees and 12,900 gaming employees in positions that required they be registered with the Commission.

Depending on the position applied for, the Commission's registration process includes a criminal background assessment and may also include a financial assessment of the applicant by commission staff and an investigation by OPP staff assigned to the Commission. The Commission maintains memoranda of understanding with 33 jurisdictions in North America to share investigative information for the purpose of assessing gaming registration applications. The Commission charges fees for initial registrations and registration renewals; in the 2009/10 fiscal year, it collected approximately $5.5 million.

We noted that satisfactory procedures were in place and used by gaming registration officers for approving new registrations. With respect to registration renewals, we found some incidents that indicated certain procedures could be improved:

- Gaming-related suppliers are normally granted what are known as "deemed renewals" when there are delays in the renewal process, which are often due to the complexity of a case or deficiencies in the application. Based on a sample of renewals, we noted 12 instances where such suppliers continued to be deemed renewed even though more than a year had passed since the registration renewal date. At the time of our audit, one renewal was still not completed 34 months after the renewal date; this included 14 months to gather information from the registrant, followed by 20 months of ongoing investigation. In a similar case, the deemed renewal was ongoing for 27 months. The Commission has set no maximum time period during which deemed renewals are allowed.

- In two instances, we found that detailed investigations were not carried out on corporate directors employed by gaming-related suppliers, even though the Commission's policy manual requires such investigations. In one case, a director was also a significant shareholder.
- The Commission has not established a policy for gaming registration officers to follow when gaming employees may be in conflict-of-interest situations. Instead, the Commission relies on OLG and private operators to determine what constitutes a conflict of interest and how to deal with such situations. We noted some situations where employees who were related to one another worked at the same gaming facility. This was not flagged for follow-up with the casino during the individuals' registration and renewal, to ensure that the situations were handled properly.

We were informed that delays and backlogs in registrations and renewals were caused by staff shortages and high volumes. In addition, we noted that the Commission's registration information system captured data on registrants' key information, including renewal requirements, but did not track the progress of the registration and renewal process, such as the date of receipt of the application, date when all necessary information is received, date an investigation is requested, and date completed. We understand that this information is either informally tracked by the gaming registration officers or recorded in the information system as notes, although neither of these two methods can be used for producing management reports on the status and timeliness of the completion of registrations or renewals on a monthly, quarterly, or annual basis.

At the time of our audit, the Commission was aware of backlogs in registrations and renewals, as well as the limitations of its registration information system, and was in the process of reviewing and redesigning its registration process to strengthen and streamline procedures.

We were informed that complaints about and sanctions imposed on suppliers are rare, and that no notices of proposed revocations or suspensions have been issued within the past three years. Concerns involving gaming assistants were also infrequent. For instance, during the 2009 calendar year, the Commission identified and investigated registration issues with one gaming key employee and 51 gaming employees and applicants.

RECOMMENDATION 3

To ensure that registration and renewal processes meet adequate standards for timely completion and consistent quality, the Alcohol and Gaming Commission of Ontario should:

- complete its risk-based assessment for streamlining procedures, and establish benchmarks and management tracking reports for registration and renewal processing times; and
- establish a policy defining what could constitute potential conflict-of-interest situations involving gaming assistants and what situations could prove problematic.

The Commission intends to continue its implementation of a risk-based approach to its registration function, and will assess appropriate benchmarks for this activity that also ensure the Commission's legislative responsibilities are being met.

The Commission will consult with the Ontario Lottery and Gaming Corporation and other stakeholders on how best to manage real or perceived conflicts of interest.

SELF-EXCLUSION PROGRAM

To address social risks inherent in casino gaming, the Act and its regulations restrict from gaming facilities persons who are under 19 years of age or who appear intoxicated, and gambling in gaming facilities by employees of the Commission, OLG, private operators, and gaming employees' trade unions. The Commission ensures that casinos have proper security for restricting these individuals from gambling.

Another significant social risk is that of gambling by players who may have a problem with or an addiction to gambling. A regulation under the Act states that the Commission can require an operator to implement and comply with a process approved by the Commission's board of directors for identifying players who may have a problem with or an addiction to gambling and a process for players to exclude themselves from playing games of chance. We noted that the Commission's board of directors had not approved a self-exclusion policy or program, but that programs were in place at gaming facilities to identify self-excluded persons.

The Commission's security and surveillance approvals all require that gaming facilities put in place controls, such as stationing security personnel at entrances, that restrict access to the casino by excluded persons. In addition, all gaming facilities had a self-exclusion program, and OLG operated a database of about 14,000 persons who had notified OLG of their desire to exclude themselves from the gaming facilities. At the OLG and private-operator gaming facilities we visited, we observed that security measures to identify self-excluded persons who attempt to enter the facilities were generally consistent. All gaming facilities used electronic measures that would alert security staff if self-excluded persons used their player cards. OLG informed us that it detects in gaming facilities every year about 1,000 self-excluded persons, who are evicted and may be charged with trespassing and have any large winnings forfeited. During our audit, OLG was also in the process of testing facial-recognition technology to help identify registered self-excluded persons.

Although the Commission has not reviewed or audited self-exclusion programs put in place by OLG beyond ensuring that approval requirements are met, its new Centre of Gaming Excellence recently conducted research on self-exclusion programs in other Canadian and international jurisdictions. In November 2009, the Centre noted that OLG's self-exclusion program is generally consistent with best practices in other jurisdictions. However, the Centre noted that the Commission does not have policies or programs to guide its staff's oversight of OLG or private-operator self-exclusion programs.

RECOMMENDATION 4

To ensure that gaming facilities adequately deal with patrons who may have a problem with or an addiction to gambling and those who participate in a self-exclusion program, the Alcohol and Gaming Commission of Ontario should develop minimum standards, policies, and procedures related to self-exclusion for use in Ontario's gaming facilities. It should also implement a process of periodically reviewing gaming facilities' compliance with these requirements.

[illegible]

The Commission has undertaken a formal consultation process with key stakeholders on a proposal to develop both a policy and a program related to self-exclusion, pursuant to the *Gaming Control Act* regulations. The Board will consider all views on this subject and decide on an appropriate course of action, including the need for periodically reviewing self-exclusion programs at gaming facilities.

PERFORMANCE REPORTING

Although the primary responsibility of the Commission with respect to casino gaming is to ensure that casinos operate fairly, with integrity, and in the public interest, the Commission's annual report and website do not provide meaningful performance information on its success in achieving these objectives. The Commission could demonstrate its regulatory efforts as being comprehensive and effective by reporting on its activities, including the number and results of its compliance inspections and audit activities, number of gaming equipment inspections and their results, number and types of incidents responded to, enforcement actions over registrants and operators, fines levied, and complaints addressed. As discussed previously, providing information on gaming activities such as minimum and actual payout ratios for slot machines would also increase public confidence in the integrity of gaming facilities. Such information could, for example, include actual return-to-player rates paid from electronic gaming machines and table games and by each gaming facility, and the number of jackpot investigations successfully conducted by the Commission. Our research indicated that other jurisdictions reported such information, although no one jurisdiction provided all of it.

RECOMMENDATION 5

In order to provide the public, including gaming facilities' patrons, with meaningful information on its regulatory activities, the Alcohol and Gaming Commission of Ontario should research other gaming jurisdictions' best practices in public reporting, and expand the information published in its annual report and website to ensure that it provides information of use to gaming patrons and to the public with respect to its key regulatory activities and results, as well as performance information that demonstrates the Ontario gaming industry's competitiveness and integrity.

The Commission's current benchmarks and performance measures are published in its annual report and on its website. In order to improve our reporting in this area, the Commission is currently implementing a significant "performance measurement" initiative. This initiative establishes a baseline and benchmark for all relevant sectors under the Commission's mandate, including reporting on commercial gaming.

OTHER MATTER

Internet Gaming

Since 1995, when the first Internet gaming websites were created, there has been a steady increase in their public acceptance and use; some estimates put their annual revenues globally at $25 billion. No Internet gaming websites originate in Ontario, as far as the Commission knows, and the Commission does not have a mandate to regulate the use of such sites by Ontarians. There are an estimated 2,000 Internet gaming operators worldwide, but just two or three large operators account for an estimated 50% of all revenues. Unlike the OLG, Internet gaming operators do not pay fees or taxes to Ontario, nor do they share profits from the estimated nearly $400 million they receive each year from Ontarians using their websites. Unregulated Internet operators are not subject to Ontario legislation that is intended to ensure that gaming is conducted in accordance with the principles of honesty, integrity, and social responsibility. In fact, provision of Internet gaming in Ontario by foreign operators is illegal under the *Criminal Code* and subject to enforcement by the OPP, although enforcement is problematic when dealing with operators that do not reside or operate in North America. As a result, foreign sites continue to operate in Ontario, although as of January 1, 2008, Ontario legislation came into effect that prohibits the advertising of Internet gaming sites, where the advertising originates in Ontario.

We noted that many international jurisdictions have used a variety of approaches to address Internet gaming. These approaches include totally prohibiting Internet gaming by private operators and declaring such operators unlawful; restricting advertising, banking services, and the provision of Internet services for foreign operators; or allowing

Internet gaming but requiring that equipment used be located in their jurisdiction, imposing licensing requirements, and taxing revenues or imposing fees.

In Canada, the approach generally taken has been for governments to establish their own legal Internet gaming sites. British Columbia introduced its own Internet gaming site in August 2010, and Quebec planned to do so in the fall of 2010. In August 2010, Ontario announced that it will also do so in 2012. In operating its own Internet gaming site, Ontario will be competing with large, well-established foreign Internet gaming operators that will continue to offer their services in Ontario without regulation or taxation, and thus with far less overhead. In this respect, it will not be a level playing field, with Ontario clearly at a disadvantage. Nevertheless, Internet gamblers may well be attracted to a government-run site, given the higher level of gaming fairness that such sites would be perceived to have.

RECOMMENDATION 6

Although the Alcohol and Gaming Commission of Ontario (Commission) does not have a mandate to regulate Internet gaming, there are proactive measures the Commission could take to protect the interests of Ontarians in this area until such time as a decision is made as to whether Internet gaming should be regulated. Given the estimated nearly $400 million that Ontarians gamble each year with unregulated foreign Internet gaming operators that do not pay fees or taxes to Ontario, and the recent decision that the Ontario Lottery and Gaming Corporation will offer Internet gaming in 2012, the Commission should:

- conduct research into regulatory, technological, and oversight best practices used in other jurisdictions over Internet gaming available in their respective jurisdictions;
- develop strategies for possible action that can effectively regulate and tax or charge fees on foreign operators doing Internet gaming business in Ontario; and
- consider forming alliances with other provinces and the federal government to address Internet gaming, as is currently being done by some other international jurisdictions.

The Commission would like to thank the Auditor General for his observations about Internet gaming and will undertake to consider these and any other suggestions brought forward as the framework for Internet gaming in Ontario is developed. Although Internet gaming does not currently fall within the Commission's legislated mandate or regulatory authority, the Commission has been proactive in preparing, and will continue to prepare and work to identify, appropriate processes and best practices for regulating existing and emerging gaming activities in this province.

Ministry of Health and Long-Term Care

Discharge of Hospital Patients

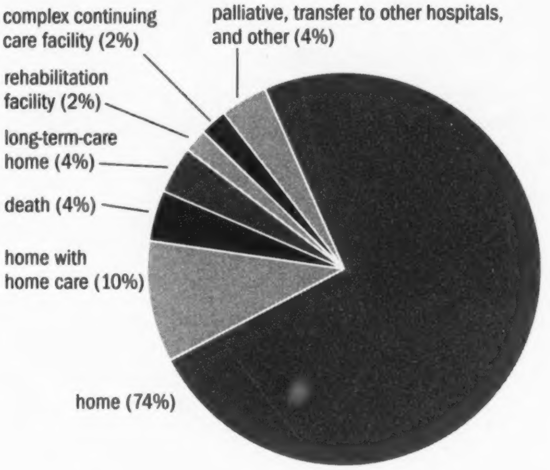
Background

There are over 150 public hospitals with a total of 227 sites operating in Ontario. In the last five years, more than 1 million patients have been discharged annually from these hospitals.

Although most patients go home when they no longer require care in the hospital, over 20% of patients still require various levels of support (see Figure 1). Such support includes home care (for example, nursing and personal-care services such as bathing) provided in the patient's home, as well as specialized services provided by rehabilitation and palliative-care facilities, and ongoing care provided in either long-term-care homes or complex continuing care (CCC) facilities.

Figure 1: Discharge Destination of Hospitalized Patients in Ontario, 2009 (%)

Source of data: Discharge Abstract Database



It is important that the transition from hospital to home, or to another health-care setting, is done as soon as possible after the decision is made that the patient no longer requires hospital care and can be discharged. Remaining in hospital longer than medically needed can be detrimental to a patient's health for various reasons, including the risk of getting a hospital-acquired infection (for example, *C. difficile*) and, especially for older patients, a decline in physical and mental abilities due to a lack of activity. In addition, when patients remain in hospital longer than necessary, their beds are not available for new patients, which may cause the cancellation of scheduled surgeries, such as elective surgeries, and longer wait times for people being admitted through the hospital's emergency department or for in-patient surgeries.

Although the hospital physician is ultimately responsible for determining when a patient is medically ready to be discharged, the patient's multidisciplinary team of health-care providers generally determines any post-discharge care needs. Making these arrangements is done in conjunction with the patient and/or the patient's family, and may be facilitated by hospital staff, for example, who request care at a rehabilitation or CCC facility for the patient, or may be done by the Community Care Access Centre (CCAC), which is responsible for assessing eligibility and arranging for both home care and access to a long-term-care home. Further, cleaning staff at the hospital are responsible for preparing each room for the next patient. Coordination of these parties is essential to having an effective and efficient discharge process.

The Ministry of Health and Long-Term Care (Ministry), primarily through the Local Health Integration Networks (LHINs), provides approximately 89% of total hospital funding. Other hospital funding sources may include accommodation charges for semi-private and private rooms, and donations. In the 2009/10 fiscal year, the total operating cost of Ontario's public hospitals was approximately $23 billion. In general, the cost of physician services provided to hospital patients is not included in the hospital's operating costs, since the Ministry pays most physicians directly for these services through the Ontario Health Insurance Plan (OHIP).

Audit Objective and Scope

This year, our office audited three areas that can have a significant impact on patient flow in hospitals. This audit focused on the discharge of patients from hospital. The objective of this audit was to assess whether selected hospitals have implemented effective and efficient policies, procedures, and systems for the safe and timely discharge of patients. We also conducted separate audits on hospital emergency-department management and home care provided through the Community Care Access Centres (CCACs), which some patients require to be arranged before they can be discharged from hospital.

We conducted our audit work at three hospitals of different sizes: Credit Valley Hospital in Mississauga (in the Mississauga Halton LHIN), St. Michael's Hospital in Toronto (in the Toronto Central LHIN), and St. Thomas-Elgin General Hospital in St. Thomas (in the Southwest LHIN). These three hospitals discharged a total of about 56,000 patients in 2009.

In conducting our audit, we reviewed relevant files and administrative policies and procedures; interviewed appropriate hospital, CCAC, and ministry staff; and reviewed relevant research, including attributes of good discharge transition planning identified in Ontario and in other jurisdictions. We also reviewed data received from the Ministry's Wait Time Strategy as well as the in-patient Discharge Abstract Database. As well, we engaged the services of two independent consultants, with expert knowledge in discharge planning, to assist us on an advisory basis.

We did not rely on the Ministry's internal audit service team to reduce the extent of our audit work, because it had not recently conducted any audit work on the discharge of patients from hospital. None of the hospitals we visited had an internal audit function.

Summary

A number of initiatives have been introduced by the Ministry, Ontario's hospitals, and Community Care Access Centres (CCACs) aimed at improving the flow of patients through hospitals, many of which impact on the process of discharging patients. All three of the hospitals we visited were managing their processes for discharging patients well in some areas and were changing certain other processes to improve patient flow. However, all the hospitals had other areas where practices could be improved, such as the early identification and timely revision of patients' estimated discharge dates, and better monitoring of bed availability.

Numerous studies have shown that remaining in hospital longer than medically necessary can be detrimental to patients' health. Further, waiting in hospital for a bed in a community setting or for other community-based services, including long-term care and home care, to be available is much more expensive than community-based care alternatives. In 2009, over 50,000 patients waited in hospital due to delays in arranging post-discharge care (also known as patients waiting for an alternate level of care, or ALC), accounting for 16% of total patient days in all Ontario hospitals. In addition, the total days ALC patients were hospitalized increased by 75% between 2005/06 and 2009/10, while total hospital patient days increased only 7%. At the time of our audit, no one, such as the Local Health Integration Networks (LHINs), the CCACs, or the hospitals, was ensuring that community-based services, including home care and long-term care, were available when patients were ready to be discharged from hospital.

Although seniors (people aged 65 and over) represent only 13% of Ontario's population, in 2009 they accounted for almost 60% of hospital patient days—and over the next 20 years, the number of seniors is expected to double. Given the aging population, efficient processes for discharging patients from hospitals will become even more critical. The adage "what gets measured gets managed" will need to be kept in mind, because the Ministry, the LHINs, and the CCACs need better information on the timeliness of patient discharge and especially on whether recent initiatives are having an impact on the ALC challenge. Hospital administrators and medical staff would benefit from having more reliable and consistent data on patient flow to benchmark the results of their process improvement efforts.

Some of our other more significant observations included:

- Current best practices recommend a regular quick multidisciplinary team meeting to update discharge planning activities. Although the three hospitals generally held such meetings periodically, physicians attended at only one hospital, and CCAC representatives attended most meetings at only one other hospital.
- Province-wide, 50% of ALC patients who could have been discharged if home-care services were available had to wait in hospital for an average of six days for the services. Determining eligibility and arranging for home care takes time, but about 50% of the time at two hospitals we visited, CCACs were not given sufficient advance notice as set out by established policies. At the third hospital, 90% of the time less than 48 hours' notice was given, because this hospital's CCAC wanted to avoid rescheduling services if the discharge date changed.
- The Ministry's Physician Documentation Expert Panel recommended that hospital physicians prepare a discharge summary, including a medication reconciliation, to communicate patient information (such as follow-up appointments, pending test results, and medications the patient should take) to subsequent health-care providers. Although discharge summaries were generally prepared, one hospital's were completed significantly late. At all three hospitals, medication reconciliations were often not prepared, increasing the risk of medication errors.
- The hospitals we visited indicated that many post-discharge care facilities will not accept patients on the weekend, and therefore less than 10% of their total discharges to long-term-care homes, complex continuing care facilities, and rehabilitation facilities occurred on the weekend.
- The hospitals had some good bed management initiatives. For example, one was developing a system to optimize bed management by providing the status of each bed (occupied, needing cleaning, or available). Another—having found that peak hours for emergency-department admissions were in the morning, whereas peak hours for this hospital's discharges were in the afternoon—had begun to require at least 40% of discharges to occur by 11 a.m., thus reducing the time that

admitted patients waited in the emergency department for a bed.

- Wait times in hospital for ALC patients vary significantly across the province. For example, from November 2009 to February 2010, for hospitals in the North West LHIN, 90% of discharged ALC patients were placed within 27 days of being designated ALC, while in the North East LHIN, the corresponding period was 97 days.
- The time from hospital referral to placement in a long-term-care home can take more than four weeks, yet there were minimal guidelines on or oversight of how long this process should take. At the hospitals we visited, the typical process involved the CCAC conducting a patient eligibility assessment (the goal was to complete this within two or three days); if eligible, the family choosing which long-term-care homes to apply to (which averaged from three days to two weeks); and then the long-term-care homes deciding whether to accept or reject the applicant (which took an average of up to 15 days at one hospital and 22 days at the other hospital that tracked this information). Long-term-care homes rejected between 25% and 33% of applications at the one CCAC that tracked this information, for reasons such as the patient requiring too much care or having behavioural problems. Accepted applicants were often just added to a lengthy wait-list.
- Of ALC patients waiting province-wide for beds in long-term-care homes from November 2009 to February 2010, 90% were placed in long-term-care homes within 128 days, with 50% placed within 30 days. Because hospitals are an inappropriate and expensive place to wait, two hospitals required patients ready for discharge to apply to long-term-care homes with little or no wait, or potentially be charged $700 to $1,500 a day to stay in hospital. Patients often did not want these homes because of their distance from family or because the homes were older facilities.

SUMMARY OF HOSPITALS' OVERALL RESPONSES

Overall, the hospitals generally agreed with our recommendations. One hospital highlighted the importance of recognizing that discharging patients from hospital was just one stage in the continuum of patient care. Further, this hospital noted that to have the maximum impact on the health-care system, the entire continuum of care needed to be considered (including care provided in the emergency room and through Community Care Access Centres).

[illegible]

The Ministry is committed to improving transitions of care for patients so they receive the right care in the right place at the right time. This audit provides constructive recommendations to improve the discharge process for hospital patients. Although the report reviewed the processes and practices in three hospitals, the Ministry takes a province-wide perspective. The Ministry appreciates that the Auditor General identified initiatives that support patient flow and wishes to note the following additional initiatives aimed at further spreading best practices for effective transitions:

- As part of the recently announced Excellent Care for All Strategy (April 2010), the Ministry is working with system partners (for example, the Ontario Health Quality Council) to provide programs that will support health service providers in strengthening their focus on the efficient use of resources and quality improvement based on the best evidence available. This initiative is expected to include the dissemination of best practices and the development of tools (for example, discharge summary and medication reconciliation templates) to support their implementation.

- Many Local Health Integration Networks are now proceeding with the Alternate Level of Care Resource Matching and Referral Project, which aims to reduce the number of alternate level of care days by improving workflow and communication between organizations (for example, among hospitals and their Community Care Access Centres). This electronic information and referral system matches patients to the earliest available and most appropriate care/support setting at discharge.

Detailed Audit Observations

HOW DISCHARGE WORKS

The process for discharging a patient from hospital begins at different times, depending on whether the patient's hospitalization was planned (for example, to have scheduled surgery, such as elective surgery) or unplanned (for example, as a result of an emergency-department admission). For patients with a planned admission date, establishing an estimated discharge date (because recovery times from planned surgeries are often fairly predictable), as well as planning for the patient's recovery once discharged, can be done in advance of the surgery.

When a patient's admission is unplanned, a nurse, in conjunction with other health-care professionals, conducts an assessment to determine, among other things, if the patient is at high risk for a complicated discharge. A complicated discharge usually occurs when the patient cannot go back to his or her previous living situation—for example, because the patient requires a higher level of care, on either a short-term or an ongoing basis. An estimated discharge date for the patient, which is generally made on the basis of the doctor's diagnosis, should usually be established on admission or shortly after admission.

During their hospital stay, patients are assessed on an ongoing basis by members of the multidisciplinary team responsible for their care, which includes their doctors and nurses, and may also include other disciplines such as physiotherapists, dietitians, and social workers. The multidisciplinary team, among other things, assesses the patient's post-discharge needs, and if the patient requires placement in another facility for rehabilitation, complex continuing care, or palliative care, the hospital is responsible for arranging it. If the team determines that the patient requires home-care services or placement in a long-term-care home, the hospital contacts the Community Care Access Centre (CCAC), which is responsible for assessing the patient's eligibility for these services. If the patient is eligible, the CCAC is also responsible for arranging home-care services or processing the patient's application for a long-term-care home. All of these factors, along with any changes or complications in the patient's condition, can have an impact on the estimated discharge date.

When a patient no longer requires hospital care, the physician writes a discharge order, which, under the *Public Hospitals Act*, requires the patient to leave the hospital within 24 hours. Some patients who no longer require hospital care will remain in hospital longer, usually because they are waiting for post-discharge care arrangements, and may be difficult to place (for example, because they have dementia, are significantly overweight, require non-oral feeding, or require frequent medical treatments like dialysis or chemotherapy). Because these patients are waiting for care elsewhere, they are referred to as alternate-level-of-care (ALC) patients.

At the time of discharge, the physician at the hospital prepares a discharge summary detailing specifics about the patient's hospitalization, such as his or her diagnosis, treatment received, discharge medication, and follow-up appointments. The discharge summary is generally sent to the patient's family physician and may be sent to other physicians to ensure continuity of care.

Patients who do not receive needed support after they are discharged may experience otherwise avoidable health problems, and may require readmission to hospital—a situation that not only negatively affects patient health but also places unnecessary demands on hospital resources.

Figure 2 shows the number of hospital beds, patient discharges, and average length of patient stay in Ontario hospitals from the 2005/06 fiscal year through the 2009/10 fiscal year.

Figure 2: Patient Discharges, Hospital Beds, and Average Length of Patient Stay in Ontario Hospitals, 2005/06–2009/10

Source of data: Ministry of Health and Long-Term Care

Fiscal Year	# of Discharges	# of Beds*	Average Length of Stay (days)
2005/06	1,095,000	18,400	6
2006/07	1,091,000	18,400	6
2007/08	1,091,000	18,700	6
2008/09	1,087,000	18,800	6
2009/10	1,092,000	18,400	6

* excludes bassinets for newborns

ROLES AND RESPONSIBILITIES AT DISCHARGE

Several parties share responsibility for discharging patients from hospital, under a number of different pieces of legislation. For example:

- The *Public Hospitals Act* provides the framework within which hospitals operate. It sets out the responsibilities of hospital boards (which generally govern the hospital) and their medical committees with respect to the quality of patient care provided by the hospital. It also makes physicians responsible for determining when a patient should be discharged. The Minister of Health and Long-Term Care is responsible for administering and enforcing this legislation.
- Under the *Ministry of Health and Long-Term Care Act*, the Minister of Health and Long-Term Care's duties and functions include governing the care, treatment, and services and facilities that hospitals provide, as well as controlling the charges made to all patients by hospitals.
- Under the *Local Health System Integration Act, 2006*, Local Health Integration Networks (LHINs) are responsible for prioritizing and planning health services and funding certain health-service providers, including hospitals and CCACs. There are 14 LHINs, which are accountable to the Ministry. As of April 1, 2007, each hospital and CCAC is directly accountable to its LHIN, rather than to the Ministry, for most matters. With regard to discharge planning for hospital patients, the LHIN's role includes being accountable to the Minister of Health and Long-Term Care for the performance of local health services, including access to and co-ordination of services.
- There are 14 Community Care Access Centres (CCACs) across the province, one for each LHIN. Under the *Long-Term Care Act, 1994*, as well as under the new *Long-Term Care Homes Act, 2007* (proclaimed July 1, 2010), CCACs are responsible for assessing the eligibility of patients for home-care services and long-term-care homes, as well as arranging for home-care services and processing eligible patients' applications for long-term-care homes. Further, effective September 2009, LHINs may decide to expand the role of their respective CCACs to include placement of patients in complex continuing care and rehabilitation facilities.

INITIATIVES

Ministry

The Ministry has supported a number of initiatives to improve the flow of hospital patients, including the process for discharging patients from hospital:

- The Expert Panel on Alternate Level of Care was established to provide recommendations in response to the problems and challenges of patients waiting in hospital for an alternate level of care. In its 2006 report *Appropriate Level of Care: A Patient Flow, System Integration and Capacity Solution*, the panel proposed 22 recommendations, some of which were adopted, including increasing home-care services and reviewing hospital discharge policies and CCAC placement policies to ensure that patients can be moved into an appropriate long-term-care home in as timely a manner as possible.
- The Flo Collaborative was launched in September 2007 by the Centre for Healthcare Quality Improvement (CHQI), a Ministry-funded initiative. Twenty-nine hospitals participated in the Collaborative, generally in conjunction with their CCACs. The Collaborative's aim was, in part, to improve the effectiveness and timeliness of the processes for transitioning patients from hospital to subsequent care settings, thereby reducing ALC patient days. The Collaborative identified a number of areas for improvement, as well as attributes of good discharge and transition planning. In spring 2009, CHQI launched a strategy to communicate information on the identified areas for improvement to, among others, the hospitals and CCACs that were not able to participate in the Collaborative. We used various Flo Collaborative attributes of good discharge and transition planning as a best practice guideline during our hospital visits.
- The four-year Aging at Home Strategy commenced in 2007/08. The strategy includes increasing community support services such as home care, assistive devices (for example, wheelchairs), and supportive housing, which typically provides personal care (for example, assistance with hygiene and dressing). These additional community services are expected to, among other things, decrease both the number of patients waiting in hospital for an alternate level of care and the time they wait. The Ministry indicated that it would be assessing the strategy over three years commencing in 2010/11.
- The Emergency Room/Alternate Level of Care Wait Time Strategy was initially introduced as the Emergency Room Wait Time Strategy in 2003 to reduce the time patients spend in the emergency room. It was expanded in May 2008 to include improving hospital bed utilization—for example, through the more timely discharge of patients no longer requiring hospital care. According to the Ministry, this initiative aimed to improve the sharing and implementation of best practices in, among other things, the discharge planning process. This initiative also included increasing home care and community supports for patients when they are discharged from hospital.
- In September 2009, as part of the Ministry's Wait Time Strategy, tracking of wait times using a standardized provincial definition commenced for hospitalized patients who were discharged to an alternate level of care (ALC), such as a long-term-care home. Further, starting in 2011, there are plans to track additional information, such as how long ALC patients still in hospital have been waiting. At the time of our audit, almost all of the 113 hospitals expected to submit ALC wait-time information were doing so.

Community Care Access Centres

The CCACs associated with the hospitals we visited had all implemented initiatives, as part of the Ministry's Aging at Home Strategy, to improve the timing of patient discharges from hospital. These initiatives included:

- *Home at Last*—a program to provide, for patients who do not have family or friends to assist them, a personal support worker or volunteer for a few hours on the day they are discharged from hospital. Assistance provided is for transportation home and basic necessities, such as picking up the patient's medication and some groceries, and ensuring that the patient has a meal. This program was operating at two of the three hospitals we visited.

- *Wait at Home*—an initiative to provide CCAC-organized homemaking and personal support services in excess of regular home-care hours, to enable patients to wait in their homes for a long-term-care vacancy, rather than waiting in hospital. Under this initiative, patients were eligible for a maximum of almost double the regular number of home-care hours for 60 days in the CCACs associated with two of the hospitals we visited and for up to 90 days in the third CCAC. We noted that most patients participating in this initiative were placed in long-term-care homes within these times. Patients not placed were moved to the top of the wait-list for the long-term-care homes they applied to. One CCAC indicated that it had halted its Wait at Home program in November 2009 due to a lack of funding, but anticipated restarting the program in the 2010/11 fiscal year when next year's funding was received.
- *Stay at Home*—a program to provide CCAC-organized homemaking and personal support services in excess of regular home-care levels for a limited time to enable patients to be discharged home earlier than otherwise. This program was provided by the CCAC at one of the hospitals we visited.

Hospitals

All of the hospitals we visited participated in the Flo Collaborative and were undertaking additional initiatives to improve their discharge practices. For example:

- One hospital had conducted a review of its patient flow processes, including the discharge process and identifying patient flow bottlenecks.
- Another hospital had developed a process, which included the involvement of the medical chiefs of staff, for specifically reviewing and increasing patient discharges where medically possible whenever the emergency department has an unusually high number of patients waiting for a bed.
- The third hospital had updated the process used by its nurses to help identify patients with risk factors that may delay their discharge.

PLANNING FOR IN-PATIENT DISCHARGE

Provisional Discharge Destination and Estimated Discharge Date

According to the Flo Collaborative, an estimated discharge date and a provisional discharge destination (for example, home with home care, a rehabilitation facility, or a long-term-care home) should be established for every patient within 48 hours of admission. The hospitals we visited indicated that the estimated discharge date is generally based on the patient's diagnosis. If the identified discharge destination is different from where the patient came from, the discharge will probably be more complex and time-consuming. For all patients, establishing an estimated discharge date gives health-care providers at the hospital and those in the community, as well as the patient and his or her family, time to prepare for the patient's post-discharge needs.

All the hospitals we visited had a policy requiring the early identification of each patient's estimated date of discharge or expected length of stay, and two of them had policies requiring the identification of post-discharge care needs. However, these policies varied. For example:

- One hospital required that an estimated discharge date be discussed "starting on admission" along with the nature of any post-hospital support that might be required.

- Another hospital required that an estimated discharge date be specified within 24 hours of the patient's admission.
- The third hospital required that the admitting physician state the expected length of stay upon admission for patients admitted with a diagnosis. Other patients were automatically assigned a three-day length of stay.

However, although the provisional discharge destination was usually noted in sampled patients' files, the patient's estimated discharge date was often not documented, either in the patient's file or elsewhere, at the three hospitals visited. For example:

- One hospital implemented a utilization system that it planned to use to record each patient's estimated discharge date. We noted that the hospital had used the system to record the discharge date for some patients in our sample. But on the date of our review, 83% of patients with an estimated discharge date had already passed that date and it had not been updated.
- At another hospital, a single hospital ward indicated that it documented patients' estimated date of discharge on a spreadsheet. But on the date of our review, 53% of patients did not have an estimated discharge date. Further, one-third of patients with an estimated discharge date had already passed that date and the dates had not been updated.
- The third hospital generally did not record an estimated discharge date or an expected length of stay.

Staff at the hospitals visited indicated that estimated discharge dates are not formally established for every patient, either because they have a general idea of the typical length of stay (for example, for elective surgery or childbirth) or because it is too difficult to accurately estimate the length of stay (for example, for unplanned emergency admissions or patients with numerous medical conditions).

Monitoring Patients' Readiness for Discharge

According to the Flo Collaborative, multidisciplinary teams at hospitals should conduct a quick round-table discussion about each patient (referred to as a bullet-round discussion), including his or her medical readiness for discharge and estimated discharge date. The Flo Collaborative also recommended using visual triggers, such as whiteboards, that clearly show each patient's discharge status (that is, his or her readiness for discharge) and required discharge planning activities.

Bullet-round discussions were conducted to varying degrees at the three hospitals we visited. For example, although these discussions were conducted daily in the general medicine wards of all three hospitals, the surgical wards held twice-weekly discussions at one hospital and weekly discussions at the other two. None of the hospitals held bullet-round discussions on discharge plans in their obstetrics wards, nor were discussions held in the pediatric wards at the two hospitals that had such wards. One of the hospitals indicated that these discussions were not held because obstetric and pediatric patients had very predictable lengths of stay in hospital. We attended bullet-round discussions at all three hospitals and noted that most were led by the in-charge nurses, with little input by the other disciplines. We also noted that:

- Physicians, who are responsible for discharging patients, routinely attended bullet-round discussions at only one of the hospitals.
- CCAC representatives, who are responsible for arranging post-discharge home care and admissions to long-term-care homes, routinely attended most bullet-round discussions at only one of the hospitals. The other two hospitals indicated that, due to resource constraints, CCAC representatives could only attend some of the bullet-round discussions.
- Most bullet-round discussions we observed spent minimal time on discharge planning,

other than whether a patient could be discharged today or tomorrow. However, we did note that one hospital ward at each of two different hospitals put a strong emphasis on discharge planning, including identifying actions that needed to occur to get patients ready for discharge, identifying the patients' post-discharge needs, and arranging post-discharge care.

A physician at one of the hospitals indicated that bullet-round discussions were too time-consuming, because they involved discussing other physicians' patients as well as that physician's patients. However, at the hospital where physicians attended bullet-round discussions, the discussions were organized so that each physician attended only that segment during which his or her patients were discussed.

All three hospitals had a patient utilization management system, which helps identify patients who are ready for discharge. However, only two of them were using it regularly for their general medicine and surgical patients. With this system, various indicators (including vital-sign assessments, vomiting, and pain control) are assessed to determine whether a patient is medically stable and ready for discharge. It is not intended to replace clinical evaluation and judgment, but can help focus discharge planning activities. Although one of the purposes of the bullet-round discussions was to assess patient discharge dates, the information provided by the system identifying those patients as ready for discharge was not routinely considered.

Whiteboards in nursing stations were also used to varying extents at the three hospitals we visited. However, many of the whiteboards we observed did not indicate each patient's expected discharge date, expected discharge destination, or outstanding discharge planning actions. In particular, we noted that:

- The whiteboards in the general medicine wards at two hospitals were colour-coded to show when patients were expected to be discharged. For example, green meant the patient would be discharged within 24 hours, yellow meant the patient would be discharged within two or three days, red meant the patient would be discharged after three days, and blue meant the patient was ALC. However, whiteboards in other wards of these hospitals did not indicate when patients were expected to be discharged.
- At the other hospital, two-thirds of the wards contained a column on their whiteboards to record the estimated discharge date for each patient. However, at the time of our visit we noted that an estimated discharge date did not appear for each patient, and was typically recorded only when patients were likely to be discharged within a day.

One hospital took the initiative of conducting an audit of selected whiteboards, between December 2009 and February 2010, to determine their reliability in predicting patient discharges. This hospital found that 76% of patients who were expected to leave within 24 hours actually did, but that 45% of patients actually discharged had not been identified as a likely discharge the previous day.

Patient Preparation for Discharge

Various methods are used to communicate to patients and their families or caregivers their anticipated discharge dates and the factors influencing that decision. In 2009, about one-third of patients were admitted for planned elective procedures. Before admission, these patients are typically provided with information on their expected length of stay and post-discharge care needs.

While in hospital, all patients (whether their admission was planned or unplanned) typically are informed about their expected discharge date and post-discharge care needs. For example, all three hospitals we visited informed us that they provide patients or their families with pamphlets on how to manage various medical conditions (such as heart disease, stroke, and diabetes) when they return home.

The Flo Collaborative recommended using whiteboards in patient rooms or other visual aids to communicate with patients, among other things, the patient's expected discharge date and the goals (such as stable vital signs and pain under control) that the patient must achieve before discharge. We observed whiteboards in patient rooms at all the hospitals visited. Although some of one hospital's patient whiteboards used colour coding to signify the patient's discharge status (for example, yellow signifying that the patient would be discharged in two or three days), none of the whiteboards we observed indicated the patient's estimated discharge date. Another hospital informed us that it posts a sheet in patient rooms that outlines the goals a patient needs to achieve to be discharged. But this sheet was posted in only one patient room we observed.

RECOMMENDATION 1

To provide sufficient time for a patient's family and other caregivers to prepare for patients' post-discharge needs, hospitals should ensure that:

- key discharge information, such as the patient's estimated discharge date and discharge destination, is established and documented for every patient by the time of admission or shortly thereafter, and revised if the patient's condition warrants a change in the discharge date;
- quick round-table discussions regarding patients' readiness for discharge are attended by key decision-makers from the multidisciplinary team, such as the patient's physician, who is responsible for discharging the patient, and if the patient is going to a long-term-care home or requires home-care services, by a representative of the Community Care Access Centre; and
- the estimated discharge date and discharge plans are communicated to patients and their families by using visuals displays, such as whiteboards in patient rooms, as recommended by the Flo Collaborative.

[illegible]

The hospitals generally supported this recommendation, and one hospital reiterated the importance of ensuring that patients with scheduled surgery (for example, elective surgery) had their estimated discharge date established prior to admission. However, two of the hospitals noted that it was not always feasible to establish upon admission an estimated discharge date for patients with multiple complex medical conditions who are admitted through the emergency department because, for example, diagnostic tests need to be completed first.

Although one of the hospitals indicated that physicians generally attended the quick morning round-table meetings to discuss patients' readiness for discharge, another hospital commented that many of its physicians choose to visit patients at different times of the day, and therefore it was often not feasible for these physicians to attend these morning meetings. Both of these hospitals indicated that, although they would like a representative from the Community Care Access Centre (CCAC) to attend all of the quick round-table meetings, resource constraints were currently preventing this. However, one of these hospitals noted that it was holding discussions with its CCAC regarding having a CCAC representative attend twice-daily meetings to discuss bed availability hospital-wide.

One hospital commented on the importance of visual management tools such as centrally located nursing station whiteboards to enhance team communication and patient communication whiteboards to better prepare patients and their caregivers for discharge, and was reviewing the mandatory use of nursing station and patient whiteboards hospital-wide. Another hospital noted that it now has patient whiteboards for about half of its beds, but that the use of whiteboards would not be beneficial for other patients whose lengths of stay are very predictable.

ARRANGING POST-DISCHARGE CARE

Patients may require care or equipment after being discharged from hospital. In some cases, the hospital provides patients or their families with contact information for various community resources, so that the care or equipment can be arranged. In other cases, when the patient has certain equipment needs or requires home care or placement in a long-term-care home, the hospital contacts the CCAC, which is responsible for assessing the patient's eligibility for these services. If the patient is eligible, the CCAC arranges for the home-care services or processes the patient's application for a long-term-care home. From April through December 2009, Ontario hospitals made over 200,000 requests to CCACs for patient-eligibility assessments for home-care services. This includes requests made for admitted and non-admitted patients, such as emergency patients and outpatients. Information was not available on the total number of hospital patients referred for placement in a long-term-care home. The three hospitals visited had dedicated CCAC representatives on-site to process such referrals.

Some patients require services from a CCAC that is not associated with the hospital they are in (for example, patients who have travelled to another area of the province for specialized medical care). For these patients, the CCAC associated with the hospital conducts the initial assessment and then contacts the other CCAC to make the care arrangements. However, one hospital we visited commented that services vary among the CCACs, with no standardized expectations, so returning patients to their home community was not always easy to do.

Arranging for Home-care Services and Equipment

About 10% of patients require home care after they are discharged from the hospital. Home-care services offered vary among the CCACs, but generally include nursing assistance (for example, changing wound dressings, administering needles with medication, and monitoring vital signs); personal support (for example, helping the patient with activities of daily living such as bathing, dressing, eating, and grooming); physiotherapy (to help the patient regain strength and range of motion after surgery); occupational therapy (to assess the patient's post-discharge environment to ensure safety); and palliative care (to help with end-of-life care).

CCACs require time to determine a patient's eligibility for home care and make arrangements for required services. Therefore, they generally need advance notice in order to have their assessment and arrangements completed by the time the patient is ready for discharge. The hospital's nursing staff or social workers generally contact the CCAC to arrange for post-discharge home care. We noted that one hospital we visited had established, in conjunction with its CCAC, "Notification Guidelines" indicating when staff should contact the CCAC for home-care services, and that these guidelines were posted for easy reference at the nurses' station as well as on this hospital's intranet. Both of the other hospitals had CCAC documents that advised the hospital when to contact the CCAC, which were available to staff on the hospitals' intranet sites.

None of the hospitals visited had information on whether their CCAC referrals were made in accordance with their established time frames. Based on our sample of patients discharged from these hospitals in 2009, we noted that the hospitals often did not refer patients within these time frames (see Figure 3). One hospital indicated that it made many same-day referrals (that is, referrals made on the patient's discharge date) because the

Figure 3: Length of Advance Notice Required for CCAC Home-care Services, and Rate of Compliance Achieved, 2009

Prepared by the Office of the Auditor General of Ontario

Hospital	Required Notification Period before Patient Discharge According to Hospital/CCAC Policy	Patients Referred in Accordance with the Policy (%)
1	one to seven days in advance, depending on the home care required	50
2	48 hours in advance	10
3	two days in advance for most patients, three days in advance for patients requiring two specific services	54

CCAC requested that referrals not be made until the patient was ready to go home, in order to avoid cancelling services if the patient's discharge date changed. Another hospital noted that the CCAC is aware of patients who may require home-care services, since a CCAC representative attends bullet-round discussions daily.

In order to avoid situations where the CCAC does not have time to arrange for required services, one CCAC had indicated to its referring hospitals that it wanted same-day referrals to be under 15% of total referrals. However, according to a report completed by this CCAC, same-day referrals from the hospitals in its region averaged 31% of total referrals in April 2010. Further, one of its hospitals made 66% of its referrals on the day the patient was scheduled to be discharged.

Two of the hospitals indicated that there are no standardized times for CCACs to respond to hospital referrals for home care. These hospitals noted that, unlike most weekday referrals, new referrals made to the CCAC on Fridays or weekends are not responded to until the next week.

With respect to post-discharge equipment needs (such as a wheelchair), patients having scheduled surgery are generally informed before admission about such needs. For other patients, their equipment needs are identified after admission. In either case, if the patient requires equipment, two hospitals told us they recommend a list of vendors to the patient or direct them to the phone book. One hospital told us that its orthopaedic department sometimes sells equipment to the patient at cost and shows him or her how to use it. As well, the CCACs associated with all of the hospitals we visited may provide equipment free of charge for a limited time.

All the CCAC offices we spoke with told us that they rely on the patient to contact them if there are any problems with home-care services or equipment.

RECOMMENDATION 2

To better ensure that any required home-care services are available when eligible patients are ready to be discharged, hospitals, in conjunction with their Community Care Access Centres (CCACs) and Local Health Integration Networks (LHINs), should develop time frames that are standardized within each LHIN that provide adequate advance notice of the date such services will be needed and keep the CCAC apprised of any changes to the required commencement of home-care services.

[redacted]

All of the hospitals supported this recommendation, and two of them highlighted that it would also be beneficial for standardized time frames to be developed for Community Care Access Centres to respond to hospital referrals.

Arranging for Long-term Care

Although seniors (people aged 65 and over) currently represent about 13% of Ontario's population, in 2009 they accounted for almost 60% of the total number of hospital patient days. According to Statistics Canada, the number of seniors is expected to double over the next 20 years, which will undoubtedly increase the demand for hospital in-patient services and post-discharge care. The most common destination for patients who cannot return home, the majority of whom are seniors, is a long-term-care home. There are more than 600 long-term-care homes in Ontario, which are either for-profit or not-for-profit nursing homes, charitable homes, or municipal homes. In 2009, about 4% of hospital patients were discharged to a long-term-care home. Therefore, it is important for hospitals to efficiently manage their processes for discharging these patients.

Hospital staff contact the CCAC when they believe a patient will require the higher level of care provided in a long-term-care home upon discharge from hospital. CCACs require time to assess a patient's eligibility for a long-term-care home and process applications for eligible individuals. However, none of the hospitals we visited had policies, nor was there any CCAC guidance, on what advance notice hospital staff should ideally be giving the CCAC when a patient is expected to be discharged to a long-term-care home.

All CCACs use a standardized assessment to determine patient eligibility for a long-term-care home. However, there are no provincial standards regarding how soon the CCAC, after receiving a hospital's referral of a patient believed to require a long-term-care home, must make a decision on the patient's eligibility. The CCAC associated with one hospital we visited had a goal to initiate an assessment within 48 hours of receiving the referral, and the CCAC associated with another hospital had a goal to complete an assessment within 72 hours. The CCAC associated with the third hospital had agreed to make initial contact with the patient within two working days and indicated that it tries to perform the assessment within two to three days of receiving a referral. Information maintained by one of these CCACs indicated that almost all of the assessments were conducted within three days. Neither of the other two CCACs could provide us with this information.

For patients assessed as eligible for a long-term-care home, applications to several selected homes are typically completed by the patient or the patient's family. Two of the hospitals we visited had policies on the maximum time allowed for families to select the homes they wished to apply to: three days at one hospital and two weeks at the other. Once the applications are completed they are submitted to the applicable long-term-care facilities, which review them and either accept or reject the patient's admission. Information from a CCAC associated with one of the hospitals we visited indicated that about one-quarter to one-third of applicants were rejected by long-term-care homes in the 2009/2010 fiscal year. But none of the CCACs associated with the hospitals we visited had tracked the specific reasons applicants were denied admission during 2009. Anecdotally, CCAC representatives informed us that the main reasons for rejecting applicants are that patients are too heavy, require too much care (for example, require assistance with feeding, dressing, and toileting), or have behavioural problems. In January 2010, one CCAC started tracking information on the reason applications were rejected, and another CCAC indicated that it would be able to track such information using a newly implemented information system.

Legislation requires long-term-care homes to give the CCAC their response to an application within five business days, but there are no penalties levied if homes take longer than five days. At the two hospitals we visited that tracked this information in 2009, the long-term-care homes' average response time varied from a low of three days to a high of 15 days at one hospital, and from a low of eight days to a high of 22 days at the other hospital. However, even if a patient is accepted by the home, this does not mean the patient can be discharged to that home, because many long-term-care homes do not have any available beds. The patient is therefore put on the home's waiting list for a bed.

Under the *Public Hospitals Act*, patients no longer needing treatment in a hospital generally have to leave on their discharge date. But in practice, given the lengthy time frames involved in arranging for a long-term-care home, these patients often end up staying in hospital longer than necessary while waiting for required post-discharge care. This situation is discussed in more detail later in this report, under "Patients Waiting in Hospital for Post-discharge Care."

RECOMMENDATION 3

To improve the process for admitting hospitalized patients to a long-term-care home, the Ministry, working in conjunction with the Local Health Integration Networks (LHINs), Community Care Access Centres (CCACs), long-term-care homes, and hospitals, should determine the best approach to placing a patient in a long-term-care home and establish benchmark standards for completing each stage in this process, such as determining patient eligibility, completing applications to long-term-care homes, and the long-term-care homes' processing of patient applications. The Ministry should also consider whether LHINs should be made accountable for monitoring adherence to the target time frames.

[illegible]

All three hospitals supported this recommendation, and two of the hospitals further highlighted the need for ensuring that long-term-care homes comply with the legislated time frames for either accepting or rejecting a patient's application.

[illegible]

The Ministry supports the principle of using benchmark standards to drive performance, and agrees with benchmark standards for the timing of each stage in the long-term-care-home placement process. In this regard, the Ministry, in conjunction with the LHINs, CCACs, hospitals, long-term-care homes, and researchers, will undertake a feasibility study of establishing benchmark standards for completing each stage of the process of placing patients into a long-term-care home. A potential mechanism for monitoring could be through the LHIN accountability agreements with health-service providers.

As mentioned in the Auditor General's report, target time frame standards already exist for long-term-care-home response times and are specifically legislated in the *Long-Term Care Homes Act, 2007*. The Ministry expects CCACs to enforce the legislative requirements with the long-term-care homes and notify the Ministry if the homes are non-compliant. Further, through the Ministry's inspections of long-term-care homes, inspectors, when noting that homes are not meeting this requirement, will issue an action/order that takes into consideration the severity and scope of the home's non-compliance and any history of overall non-compliance at that home.

LHINs have service accountability agreements, which include performance measures, with various health-care providers including hospitals, community agencies, and long-term-care homes. The Ministry, in conjunction with the LHINs, will look at ways to strengthen accountability for all stakeholders involved in the placement of patients into a long-term-care home. For example, education sessions are being held with long-term-care homes, CCACs, and the LHINs to ensure their understanding of and adherence to the provisions of the *Long-Term Care Homes Act, 2007*.

COMMUNICATING INFORMATION TO SUBSEQUENT HEALTH-CARE PROVIDERS

A discharge summary is used by the hospital physician to communicate information about the patient's hospital stay and post-discharge care needs to subsequent health-care providers, such as the patient's family physician. Timely discharge summaries are important for the continuity and quality of patient care, and therefore can help patients avoid adverse medication reactions and readmissions to hospital. The Physician Documentation Expert Panel, established by the Ministry, indicated in its 2006 report *A Guide to Better Physician Documentation* that the discharge summary is among the most crucial pieces of documentation in the patient's health record. The panel indicated that hospitals may develop policies for completing discharge summaries, and outlined what discharge summaries should contain, such as follow-up appointments and details of discharge medications (with reasons for giving or altering medications, frequency, dosage, and proposed length of treatment). However, the panel did not recommend any time frame for completing discharge summaries.

Hospital Policies on Discharge Summaries

All hospitals we visited had policies requiring the completion of discharge summaries for their patients. However, we noted that the policies varied among the hospitals. For example:

- Two of the hospitals did not require the completion of discharge summaries for patients with hospital stays of less than two or three days, respectively. The third hospital required discharge summaries for all patients.
- One hospital required all physicians to complete, date, and sign the discharge summary within 10 working days after discharge, with failure to do so resulting in the suspension of admitting privileges for the physician. The other two hospitals informed us that they had not established a time frame within which physicians must complete the discharge summary.
- Two of the hospitals required that the discharge summary be copied to the patient's family physician. At the third hospital, staff told us that patients are usually given discharge instructions and are asked to provide a copy to their family physician. None of the hospitals required that discharge summaries be provided to long-term-care or other health-care providers.

We reviewed the files of a sample of patients discharged from the three hospitals in 2009, and noted the following:

- Discharge summaries were generally completed at two of the hospitals in accordance with their stated policies and practices. At the third hospital, a discharge summary was prepared for 70% of patients whose files we reviewed. The files for the other patients indicated that they were given discharge instructions, but these instructions did not contain any details of the patients' treatment while in hospital.
- At one hospital, 90% of discharge summaries were signed off by the physician within the 10 days specified by hospital policy. At the second hospital, 72% of discharge summaries were signed off within 10 days, with 90% signed off within 32 days. But at the third hospital, only 7% of discharge summaries were signed off within 10 days, with 90% signed off within 139 days.
- Between 50% and 95% of patients required a follow-up appointment—for example, with their surgeon. Although none of the hospitals had a policy on scheduling follow-up appointments for patients, between 20% and 30% of patients had a follow-up appointment made for them by the hospital before discharge. The pre-scheduling of follow-up appointments may assist patients in obtaining the post-discharge care they need.

One hospital informed us that it was implementing an electronic discharge summary. This was expected to improve the quality and timeliness of discharge summaries because it was easy to use and would result in more complete and consistent presentation of key patient information, such as what procedures were done in the hospital, any follow-up appointments required, pending test results, and discharge medications.

Medication Reconciliations

Medication reconciliations, which are conducted before the patient's discharge, compare the medications a patient will be taking after being discharged from hospital to the medications the patient was taking before admission and during his or her hospital stay. The goal of a medication reconciliation is to help prevent adverse drug events by ensuring that any changes in medications on discharge (such as adding or discontinuing medications, or changing the dosage or frequency of medications) are readily apparent to the subsequent prescribing physician. Accreditation Canada, which examines the quality of health services at hospitals with the aim of helping them improve the quality of services they provide, requires that medication reconciliations be completed. Further, the Physician Documentation Expert Panel indicated that details of discharge medications (including reasons for giving or altering medications, frequency, dosage, and proposed length of treatment) should be part of the discharge summary. All the hospitals we visited informed us that they were in the process of implementing the use of medication reconciliations.

In order to complete a medication reconciliation, hospitals need information on the drugs patients were taking before admission. According to hospital staff, a patient's medication history should be obtained from the patient or patient's family at the time of admission. It is also beneficial to verify the medication history against another source where possible. In fact, both the Institute for Safe Medication Practices Canada and Safer Healthcare Now! (a campaign to improve patient safety by integrating best practices into the delivery of patient care) recommend that medication histories be verified against at least two sources of information. At the three hospitals we visited, the majority of medication histories were taken at the time of admission. However, most information was not verified against other sources, which could include, for example, the Ontario Drug Benefit system (which lists medications paid for by the system for all seniors and eligible low-income individuals) or a list of medications provided by the patient's pharmacist. Hospitals stated that they usually seek information from an independent source when the patient is uncertain about his or her medications. Further, one hospital noted that some patients bring their medications with them to hospital and that this provides the basis for determining the best possible medication history for the patient. However, we noted many differences (for example, missing medications and differences in medication dosages) between the independent source that had been identified in some patient's files and the list of medications on admission used to complete the medication reconciliations.

Based on our sample of discharge summaries at the three hospitals, we noted that:

- The percentage of discharge summaries that included some type of medication reconciliation ranged from a low of 10% at one hospital we visited to a high of 30% at another. At one of the hospitals the reconciliation was a specific document, whereas at two of the hospitals, the reconciliation was informal, consisting simply of physician comments throughout the summary on whether new medications should be added and whether medications taken before hospital admission should be continued, stopped, or put on hold.
- Between 54% and 70% of the summaries just listed the medications that patients should take post-discharge, without any indication that they had been compared to the patients'

medications on admission and without providing the reasons for any changes or new medications prescribed.

- Between 10% and 27% of the summaries had no information on the patients' discharge medications, although many of these patients were taking medication when they entered hospital.
- The frequency or dosage of at least one new medication was missing for 14% to 20% of the patients.

RECOMMENDATION 4

To ensure that medical information essential for the continuity and quality of patient care is communicated in a timely manner to subsequent health-care providers, hospitals should:

- **require discharge summaries to be completed for all patients in accordance with the *Guide to Better Physician Documentation* developed by the Ministry's Physician Documentation Expert Panel;**
- **establish a target time frame, such as a maximum of 10 days, for completing discharge summaries and forwarding them to the patient's family physician or other subsequent health-care providers; and**
- **consider the use of a medication reconciliation template to be completed for each patient detailing any changes between the medications the patient was taking on admission and the medications that the patient will be taking post-discharge.**

SUMMARY OF HOSPITALS' RESPONSES

The hospitals generally agreed with this recommendation. One hospital already had practices in place requiring physician completion of discharge summaries for all patients within 10 days of discharge and in accordance with the *Guide to Better Physician Documentation*. Another hospital commented that hospitals should have accountability structures for ensuring that discharge summaries are completed and forwarded to subsequent health-care providers within targeted time frames.

With respect to the use of a medication reconciliation template, one of the hospitals commented that it has found that its use of such a template has promoted and facilitated the completion of accurate medication reconciliations at discharge.

HOSPITAL BED AVAILABILITY

A shortage of in-patient beds can create problems throughout a hospital. For example, emergency patients may have to wait in the emergency department for a bed, post-operative patients may have to remain in the recovery room, and patients with pre-scheduled surgeries, such as elective surgeries, may have their surgeries cancelled.

Timing of Patient Admissions and Discharges

Most hospitals in Ontario have a very high occupancy rate, with virtually all beds being occupied the majority of the time. In fact, two of the hospitals we visited had bed occupancy rates over 85%, with one hospital consistently over 90% occupancy. Research indicates that hospitals will experience regular bed shortages if occupancy is above 90%. One way to create additional bed capacity is to reduce the average length of patients' stay in hospitals. However, according to 2008/09 data from the Canadian Institute for Health Information, Ontario hospitals have an average length of patient stay that is shorter than that of almost all other Canadian provinces. One hospital we visited indicated that to determine whether lengths of stay could be reduced, comparisons between actual and estimated length of stay, based on patient diagnosis, are made.

Given the high hospital occupancy rates, discharges need to occur before new patients can be admitted. Therefore, the timing of patient admissions and discharges is important. Using data provided by the Ministry, we analyzed all hospital admissions and discharges in Ontario for January through November 2009 (see Figure 4). The number of unplanned admissions (for example, admissions through the emergency department) remained relatively consistent throughout the week. However, considerably fewer planned admissions (for example, for scheduled surgeries) occurred on weekends, even though almost 20% of all discharges occurred on Fridays—more than on any other day of the week. Further, hospital admissions exceeded discharges on Sundays through Wednesdays, which can potentially create shortages of in-patient beds. The hospitals we visited indicated that many post-discharge care facilities will not accept patients on the weekend. For example, province-wide, patients are almost four times as likely to be discharged to long-term-care homes on a weekday than on a Saturday or Sunday. At the hospitals we visited, less than 10% of total discharges to long-term-care homes, complex continuing care facilities, and rehabilitation facilities occurred on the weekend.

We also noted that although roughly 65% of hospital discharges occur between 9 a.m. and 3 p.m., admissions peak between 6 a.m. and 8 a.m. (see Figure 5). This pattern means admitted patients may have to wait (for example, in the emergency department) a number of hours for other patients to leave and the room to be cleaned before they can be moved into a hospital bed.

All three hospitals we visited had processes for reviewing the status of their bed availability daily:

Figure 4: Admissions and Discharges to Ontario Hospitals by Day of the Week, January through November 2009

Source of data: Discharge Abstract Database

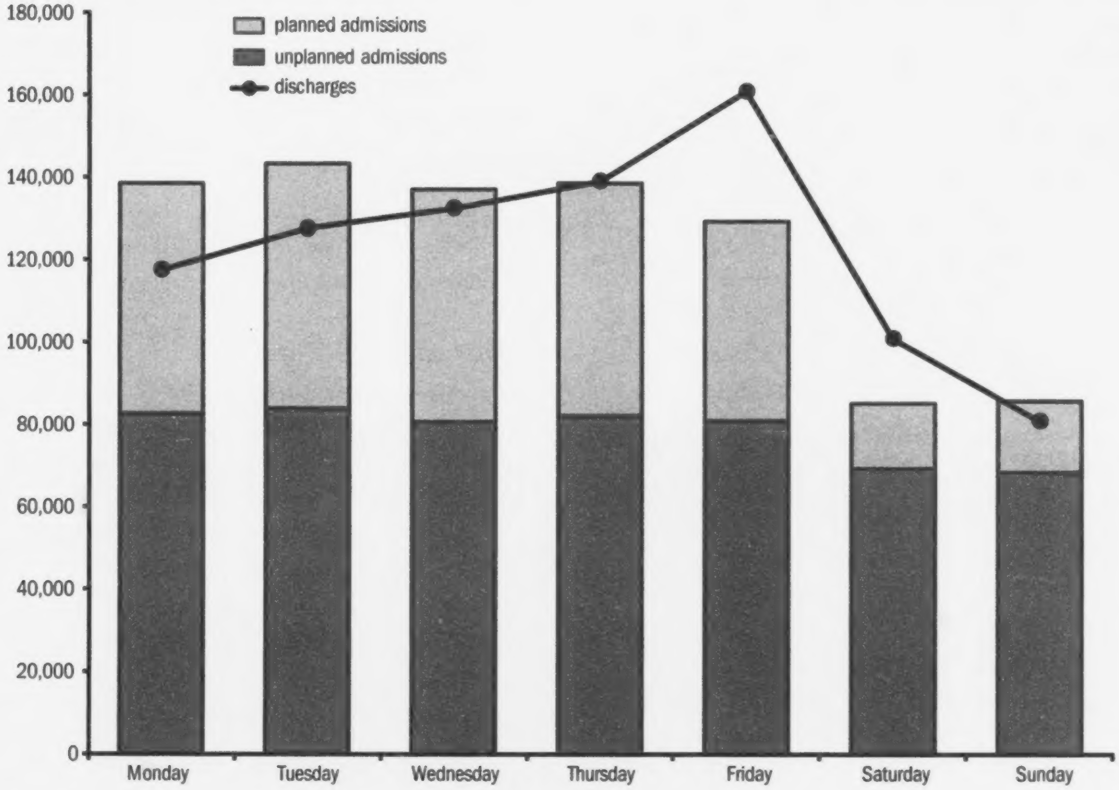
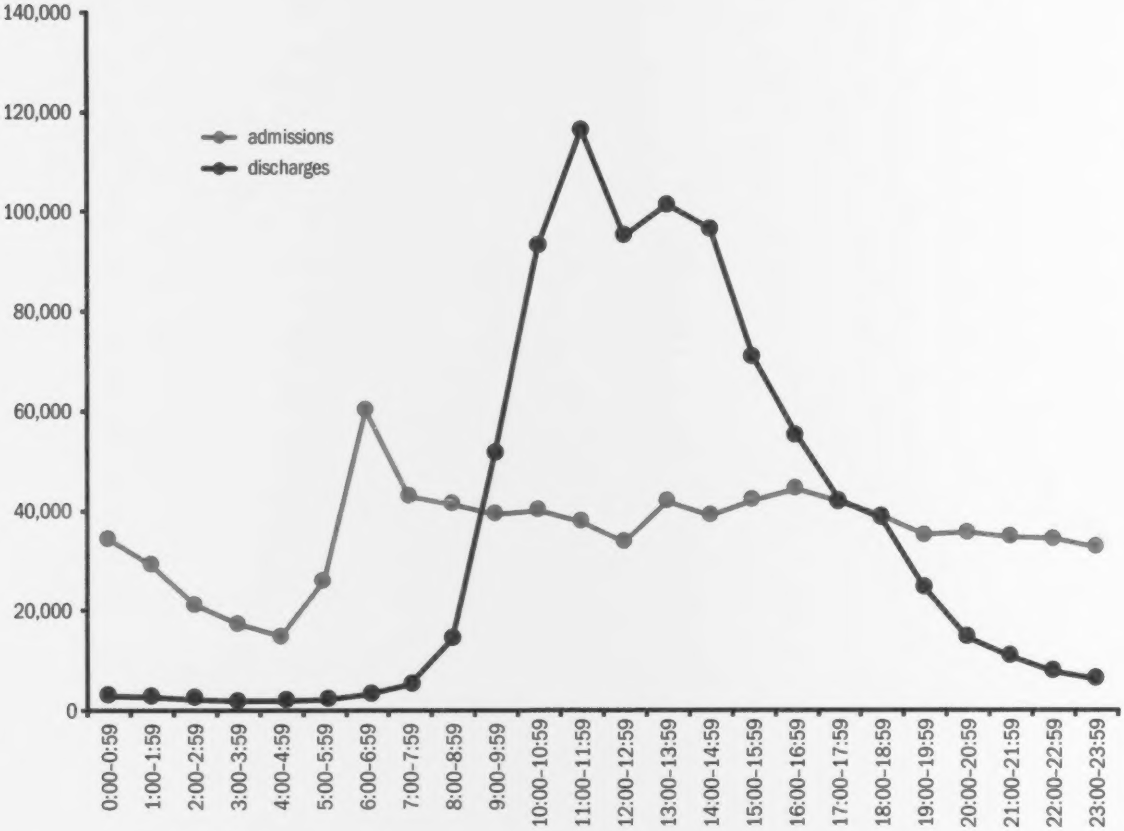


Figure 5: Admissions and Discharges to Ontario Hospitals by Hour of the Day, January through November 2009

Source of data: Discharge Abstract Database



- One hospital had every hospital ward provide a twice-daily update on its intranet of the number of beds available, anticipated admissions (scheduled and through the emergency department), and anticipated discharges.
- All three hospitals held a daily meeting with representatives from all hospital wards to update a list of available beds and anticipated admissions for the day.

We did note a couple of good practices at the hospitals we visited. For example, one hospital was developing a system to optimize bed management, which it expected to implement in summer 2010. We were informed that this system will provide a "live" status (for example, occupied, empty but requires cleaning, or available) for each bed. Another had analyzed the timing of patient admissions and discharges. This hospital found that peak hours for its emergency-department admissions were in the morning, whereas peak hours for its discharges were in the afternoon. As a result, this hospital developed a policy to have 40% to 60% of the day's discharges occur by 11 a.m., which reduced the time that admitted patients waited in the emergency department for a bed.

Length of Time Beds Are Empty between Patients

All of the hospitals visited indicated challenges in ensuring that beds were available when needed. Monitoring the status of hospital beds (for example, whether they are occupied, empty but require cleaning, or available for a new patient) helps hospitals manage this challenge. All of the hospitals we visited had at least some information on whether their beds were occupied, empty and clean, or empty and in need of cleaning. But none of the hospitals tracked the time to fill an empty in-patient bed—that is, from the time one patient leaves the bed until the time a new patient occupies the bed.

At our request, the three hospitals conducted one or two days of tracking the time beds were empty between patients on selected wards. The results indicated that all three took about one hour to clean the rooms, from the time housekeeping was notified to the time the room was clean. However, the average time a bed stayed empty ranged from three hours to just over six hours. The hospitals indicated that the additional time could be due to the wards' not being able to take new patients because of the current patient workload and/or because of nurses' lunches and breaks. The hospital that averaged six hours advised us that it had no patients waiting for a bed during the time most of the beds were empty.

RECOMMENDATION 5

To help reduce the time admitted hospital patients wait for a bed:

- hospitals should review the times and days of the week patients are admitted and discharged, and arrange patient discharges to allow sufficient time for beds to be prepared in advance for new admissions, especially for patients arriving at known peak admission times; and
- larger hospitals should assess the costs and benefits of implementing a bed management system that provides "live" information on the status of hospital beds, including which beds are occupied, awaiting cleaning, and available for the next patient, as well as the reasons for delays in placing admitted patients in available beds.

[illegible]

The hospitals generally supported this recommendation. One of the hospitals noted that, although it is feasible to match patient bed needs to capacity for scheduled patient admissions, it is much more challenging to meet the needs of emergency patients because emergency admissions to surgeries are less predictable and cannot be delayed or cancelled. Another hospital commented that additional bed capacity, which can provide more timely access to an in-patient bed, can be created by better matching peak times of patient admissions and appropriate patient discharges, and by optimizing the length of in-patient stay in hospitals. Further, this hospital indicated that actively planning for discharges enables a smoother workflow for staff and physicians, and provides an improved patient experience.

One hospital indicated that, although it does use various systems to obtain some of the information that an electronic bed management system would provide, it is currently assessing the costs and benefits of implementing such a system to integrate this information. The hospital noted that the successful implementation of this type of system would depend on a number of factors, including how easily staff can enter data. This hospital commented that information from a bed management system could be used in conjunction with its twice-daily meetings to discuss bed availability hospital-wide.

PATIENTS WAITING IN HOSPITAL FOR POST-DISCHARGE CARE

Numerous studies have shown that remaining in hospital longer than medically necessary can be detrimental to patients' health for various reasons, including the potential for a hospital-acquired infection (for example, *C. difficile*) and, especially for older patients, a decline in physical and mental abilities due to a lack of activity. But patients who are ready to be discharged often need to wait in the hospital for post-discharge care (such as home-care services or placement in a long-term-care home, a complex continuing care facility, or a rehabilitation facility) to be arranged. These patients are referred to as alternate-level-of-care (ALC) patients. In addition to the potentially negative impact that waiting in hospital may have on the patient's health, it is much more costly to keep patients in a hospital as opposed to a community setting. We were informed by the Ontario Hospital Association that it estimated that it costs about $450 per day to care for an ALC patient in a hospital.

In 2009, over 50,000 ALC patients were discharged from Ontario hospitals; almost 85% of them were seniors (aged 65 and older). Most senior ALC patients arrived at the hospital as an unplanned admission through the emergency department. Although ALC patients accounted for only 5% of all hospital discharges, they represented 16% of the total number of days patients were hospitalized. In addition, although the total days ALC patients were hospitalized has been relatively constant for the past two years, these days had increased by 75% between 2005/06 and 2009/10. However, the total days all patients were hospitalized increased by only 7% during this time period.

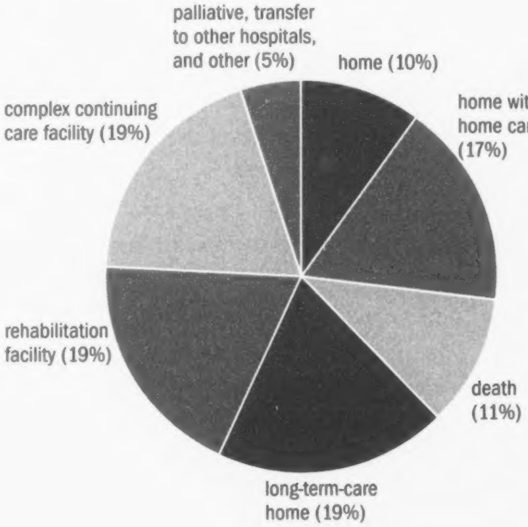
The Ontario Hospital Association conducts a monthly survey of the number of ALC patients in almost all acute-care hospitals in Ontario. As of June 2010, results indicated that 16% of all acute-care beds in the province were occupied by a patient waiting for an alternate level of care, although results varied significantly across the province, with the percentage of beds occupied by ALC patients ranging from 3% in the Central West LHIN to 24% in the North East LHIN. At the hospitals we visited, an average of between 11% and 23% of their beds were occupied by ALC patients.

Province-wide, most ALC patients were waiting to be placed in another facility, such as a long-term-care home, although 17% were waiting for home care, as shown in Figure 6. Further, about 50% of ALC patients in rehabilitation or complex continuing care facilities were waiting in these facilities for placement in a long-term-care home. According to the CCACs we spoke with, one reason patients wait in hospital for a long-term-care home is that applicants prefer the less expensive "basic" accommodation in long-term-care homes (about $250 less per month than a semi-private room and $600 less than a private room). Further, only low-income residents in basic accommodations can qualify for a Ministry subsidy; residents in private and semi-private rooms do not qualify. In the 2009/2010 fiscal year, 80% of applicants from one hospital we visited requested basic long-term-care accommodations. However, according to legislation, only 40% of long-term-care homes' beds are required to be basic accommodation.

As an example of how critical the situation can get in hospitals, in January 2010, because a large number of people were waiting in the emergency department for an in-patient bed, the LHIN of one of the hospitals we visited, through its CCAC, moved all of this hospital's ALC patients waiting for

Figure 6: Discharge Destination of ALC Patients in Ontario, 2009 (%)

Source of data: Discharge Abstract Database



placement in a long-term-care home to the top of the wait-list. This caused patients at other hospitals, as well as people in the community, to wait longer for a long-term-care home. The hospital indicated that this was a rarely used measure that it and the LHIN hoped to avoid in the future.

The issue of patients waiting in hospital for alternate accommodation is not unique to Ontario. For example, according to the Canadian Institute for Health Information, Newfoundland and Ontario have about the same rate of ALC patients waiting in hospital, as a percentage of all hospitalizations. B.C. is a bit better, and Alberta has only about half Ontario's rate.

Identifying Patients at Risk of Delayed Discharge

Patients who cannot go back to their previous living situation are sometimes difficult to find post-discharge care for. Examples of patients who may be difficult to place include those who have dementia, are significantly overweight, require non-oral feeding, or require frequent medical treatments like dialysis or chemotherapy. The Flo Collaborative recommends that patients be screened within 48 to 72 hours of admission to hospital for risk factors that may delay their discharge, and that plans be developed for managing any identified risks. It also suggests using standardized risk criteria for the early identification of patients who will need CCAC services, such as for placement in a long-term-care home. The early identification of these patients, regardless of any challenges in estimating their discharge date, is important because it provides additional time for post-discharge care arrangements to be put in place.

Only one hospital we visited had a policy of screening upon admission for risk factors that may delay discharge. This hospital had developed a formal process, which assessed areas such as the patient's cognitive ability, level of confusion, and risk of falls. The other two hospitals indicated that they conducted informal processes. However, for the sample of patient files we reviewed, there was generally no documentation to indicate that such informal assessments were being completed, although one hospital indicated that it would assess selected risk factors for certain patients during their admission and indicate "yes" on its utilization system if the patient was considered high-risk.

Copayments for Patients Waiting for a Long-term-care Home or Complex Continuing Care Facility

Under the *Health Insurance Act*, hospitals are permitted to charge a copayment to patients who wait in hospital for a place in either a long-term-care home or a complex continuing care (CCC) facility. The purpose of the copayment charge is to eliminate any financial incentive for patients to stay in a hospital, for which they would otherwise pay nothing, as opposed to a long-term-care home, where some payment is normally required. Therefore, the established hospital copayment is the same as the basic rate charged to residents in a long-term-care home or a CCC facility. On July 1, 2010, the copayment was about $1,600 per month, and could be reduced for low-income individuals. Money collected from copayment charges is retained by the hospitals.

Each of the three hospitals visited had policies in place for charging patients a copayment. Two of the hospitals' policies stated that patients were to be charged once they were designated ALC by their physician. Although the third hospital's policy was to charge patients once they were designated ALC, in practice, this hospital gave patients a five-day grace period, to ensure that patients were informed of the charges.

None of the three hospitals had documentation on whether all patients who could have been charged the copayment were actually charged it. We compared the number of patients whose discharge destination was a long-term-care home or a CCC facility with the number who were actually charged a copayment, and noted that one hospital charged only about 10% of eligible patients a copayment.

This hospital indicated that it serves many low-income people who are exempt. Both of the other hospitals charged over 85% of eligible patients.

Additional Daily Charges

Under the various laws governing long-term-care homes at the time of our audit, eligible patients or their substitute decision-makers may submit an application to a maximum of three long-term-care homes of their choice. The new *Long-Term Care Homes Act*, which came into effect July 1, 2010, permits applicants to select a maximum of five homes. Some hospitals, including two that we visited, have established more specific requirements in order to move patients into long-term-care homes as quickly as possible, so that the hospital beds are available for other patients requiring in-patient care. In particular:

- One hospital we visited required patients needing long-term care to apply to three homes: one home of their choice and two homes from a CCAC-prepared list of homes with either available beds or a short wait-list. The three homes must be selected within 72 hours after the hospital provides the list, and the patient must go to the first home that offers a bed.
- Another hospital we visited required patients to apply to three long-term-care homes. But if those homes do not have an available bed, the patient must consent to going to any home that has an empty bed within the catchment area of either the hospital's CCAC or the neighbouring CCAC.

At these two hospitals, failure to follow hospital policy resulted in more senior hospital personnel (for example, a nurse manager, hospital vice-president, and/or a representative of the legal department) approaching the patient and his or her family to encourage them to comply. If that approach did not work, these hospitals had a policy of charging a per diem rate ($700 per day at one hospital and $1,500 per day at the other). This policy is used to persuade patients to leave hospital and wait for their ideal discharge destination in a more appropriate place. One of these hospitals indicated to us that it informed patients that the per diem would be charged, but had never actually charged it; the other informed us that although it has charged a few patients, it has not successfully collected from them.

Based on our discussions with representatives from seven CCAC offices across the province, there are various reasons patients do not want to live at the long-term-care homes that have frequent vacancies. These reasons include:

- *Location*—Applicants prefer a long-term-care home close to family and friends, so that they can easily visit. A home that is further away makes it especially difficult for an elderly spouse to visit regularly.
- *Value*—Applicants prefer newer facilities to older ones. Basic accommodation in newer facilities is generally one or two people to a room with a bathroom. In contrast, basic accommodation in an older facility generally consists of four people in one room with one shared bathroom. For the three hospitals visited, we reviewed their associated list of long-term-care homes with frequent vacancies and noted that they were almost all older facilities.
- *Performance*—Applicants prefer long-term-care homes that operate in accordance with the standards set by the Ministry. We reviewed the results of the Ministry's inspections at the long-term-care homes with frequent vacancies that accepted patients from the hospitals we visited, for the period July 2007 through June 2008 (the most recent information available at the time of our audit). We found that about 60% of these homes had at least five unmet standards, which was almost double the provincial average of unmet standards.

Alternatives to Long-term Care

CCAC representatives told us that hospitals generally do not suggest alternatives to long-term-care homes to patients. Examples of such alternatives—which often have minimal, if any, waiting lists—include retirement homes or hiring help at home. We compared the cost of these options and noted that both can be more expensive for the patient than the cost of a long-term-care home. In particular, as of July 2010, the amount paid by residents of long-term-care homes ranged from about $1,600 per month for basic accommodation to $2,200 per month for private accommodation, with subsidies available for low-income individuals. However, Ministry information indicated that retirement homes, which are not intended for people with heavy care needs, generally cost between $1,500 and $5,000 per month. Further, we noted that hiring individuals from private agencies, which generally bill for a minimum visit of four hours, can cost up to $2,900 per month to provide daily care at home. Both these alternatives may still be more cost-effective than keeping the ALC patient in a hospital bed.

Another alternative to a long-term-care home is supportive housing, which typically includes some personal care, such as assistance with hygiene and dressing. In some buildings, all of the residents receive care, whereas in others, only a small number do. According to the Ministry, accommodation costs paid by residents can range from about $600 to $1,200 per month, and can be further subsidized based on a resident's income, with costs for personal care funded by the LHIN. However, there is a waiting list for these units.

Unlike long-term-care homes, these alternative care arrangements are for the most part not regulated or inspected by the Ministry. In June 2010, the *Retirement Homes Act* was proclaimed, and the Ministry indicated that related care and safety standards were being developed and would be included in regulations to be made under the act.

Wait Times for Post-discharge Care

In September 2009, Cancer Care Ontario started collecting data on ALC patients discharged from most hospitals, as well as the number of ALC patients still waiting at each hospital at month-end, as part of the Ministry's Wait Time Strategy. At the time of our audit, this information was not publicly reported. The Ministry indicated that through the Wait Time Strategy, it also plans to collect data on how long ALC patients not yet discharged have been waiting in most hospitals, starting in the 2010/11 fiscal year. Hospitals were to report this information using a standard definition provided by the Ministry.

According to data gathered by Cancer Care Ontario, as of March 31, 2010, about 3,700 patients were waiting in hospital for alternate accommodation, such as home care, a long-term-care home, or a complex continuing care or rehabilitation facility. We analyzed the ALC data for the period November 2009 through February 2010, and noted the following:

- *For all ALC patients*—The median wait times by LHIN ranged from four days to 15 days. For the province as a whole, 50% of all discharged ALC patients went to their discharge destination within eight days of being designated ALC (90% went within 51 days). However, the wait time in hospital for these discharged ALC patients varied considerably across the province. For example, for hospitals in the North West LHIN, 90% of all discharged ALC patients went to their discharge destination within 27 days, whereas in the North East LHIN, the corresponding period was 97 days. Most patients waiting for complex continuing care and rehabilitation facilities were placed within 30 and 20 days, respectively.

  Further, within two days of admission to hospital, 15% of ALC patients were designated ALC. This may imply a lack of community supports to care for these patients at home causing these patients to come to the hospital.

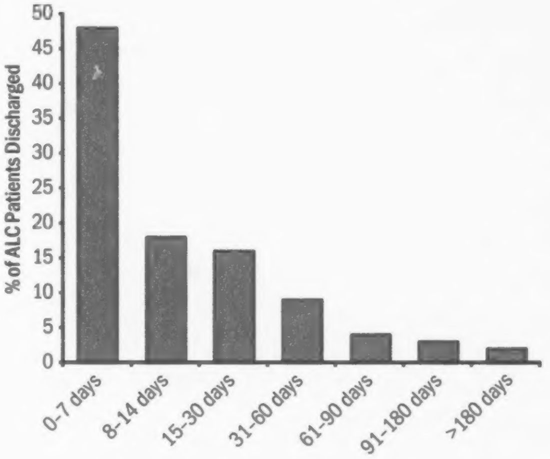
In addition, as shown in Figure 7, about half of ALC patients were discharged from hospital within seven days of being designated ALC. This may signify a problem co-ordinating post-discharge services on a timely basis. Hospitals indicated that these problems occur for various reasons, including the CCAC not always being available to complete eligibility assessments on weekends, and facilities, such as long-term-care homes, not always accepting patients on weekends.

- *For ALC patients waiting for home care*—90% had received services within 28 days, with only 50% receiving them within six days.
- *For ALC patients waiting for a long-term-care home*—90% were placed within 128 days (50% were placed within 30 days). Further, 5% of these patients waited more than six months for a long-term-care home.

We also noted that the wait times recorded for ALC patients may not be comparable among hospitals. For example, two of the hospitals we visited transferred at least some of the ALC patients to their hospital's complex continuing care (CCC) ward to wait for required post-discharge care. At one of these hospitals, the wait time was calculated from the time the patient was initially designated ALC to the time the patient was discharged from hospital. At the other hospital, patients had two wait times: one for their ALC stay in the ward where they received treatment, and then a separate ALC stay in the CCC ward. If the two wait times were added together, 90% of this hospital's ALC patients would have been placed within 64 days, rather than the 49 days reported.

Figure 7: Percentage of ALC-designated Patients Discharged from Hospitals, by Number of Days between Designation and Discharge, November 2009 through February 2010

Source of data: Wait Time Information System, Cancer Care Ontario



Ability to Use Beds for Acutely Ill Patients

Within hospitals, ALC patients may be located in hospital wards with acutely ill patients (such as the ward where they received their treatment); hospital wards established for ALC patients; or other hospital wards, such as rehabilitation and CCC. The three hospitals we visited located their ALC patients as follows:

- One hospital placed these patients in acute-care wards throughout the hospital, with 50% located in two wards.
- Another hospital located three-quarters of these patients in wards with acutely ill people located throughout the hospital, with the remainder in its CCC ward.
- The third hospital located most ALC patients in its CCC ward.

Hospital staff informed us that ALC patients typically require fewer nursing resources than acute-care patients. Therefore, if acute-care beds are used for ALC patients on a long-term basis, hospitals may reduce their staff. Additionally, some ALC patients make copayments. To "reopen" these beds for acute-care patients can be costly, because hospitals incur additional costs and no longer collect the copayment from the ALC patients. In fact, one of the hospitals we visited had had a separate ward for some of its ALC patients, but closed the ward after these ALC patients were placed.

RECOMMENDATION 6

To ensure that patients receive the care they need in the location best for the patient:

- hospitals, in conjunction with their Local Health Integration Networks (LHINs), should educate all patients and their families on the fact that, for patients whose condition has stabilized and who no longer need acute care (especially older patients), hospitals are not a safe or appropriate place to wait for post-discharge care (for example, because of the risk of getting a hospital-acquired infection such as *C. difficile*);
- the Ministry, in conjunction with the LHINs, should assess the costs and benefits of increasing the level of post-discharge services that can commence on weekends to better enable hospitals to safely discharge patients on weekends; and
- the Ministry, in conjunction with the LHINs, hospitals, and Community Care Access Centres, should give increased consideration to options such as more appropriate places for patients to safely wait for placement in an alternate-care facility such as a long-term-care home; or increased supportive-housing arrangements to enable patients to continue to live more independently.

Further, to help hospitals better manage their patients who are waiting for post-discharge care, the Ministry should:

- further clarify how alternate-level-of-care (ALC) wait times should be measured so that ALC wait times are being consistently reported to the Ministry's Wait Time Strategy; and
- publicly report the time ALC patients wait in hospital before being discharged into a community-based setting.

SUMMARY OF HOSPITALS' RESPONSES

The hospitals generally supported this recommendation. One of the hospitals highlighted that, although its LHIN was supporting patients through numerous strategies, there continued to be a gap in community services available on weekends and that many of the long-term-care homes associated with the hospital were not willing to accept patients on weekends. Further, this hospital noted that since the new *Long-Term Care Homes Act, 2007,* which came into effect in July 2010, the number of ALC patients waiting for a long-term-care home had doubled. The hospital also noted that many patients and their families are now requesting placement in only one long-term-care home, and expecting to wait in hospital for this home—a wait that could take many months, if not years. As a result, this hospital highlighted the need for an interim place, rather than the hospital, where patients could safely wait for the long-term-care home of their choice.

Another hospital indicated that the transition from an acute-care hospital to a post-discharge destination can be the most vulnerable point of care for patients. Therefore, this hospital noted that additional system capacity may be needed for hard-to-place patients, and further strategies and greater supports should be considered to better facilitate smooth transitions for patients seven days of the week. In this regard, it is leading a pilot project to care for patients at home through a "virtual ward." Patients participating in this pilot are to have access to an interdisciplinary team of health-care professionals, including a physician, and receive home-based community care. This hospital also commented that it would be reviewing its current practices for managing ALC patients, in terms of both clinical process and information flow, to identify opportunities for improvement. However, this hospital and another hospital cautioned that ALC indicators need to be linked to health system planning and actionable outcomes.

[illegible]

The Ministry will work with the LHINs, provincial associations such as the Ontario Hospital Association and the Ontario Association of Community Care Access Centres, and hospitals to identify opportunities to meet this recommendation in order to ensure that patients receive quality care in the most appropriate location. The Ministry agrees with the need to continuously improve patient transitions between sectors, such as between hospitals and long-term-care homes, and is supporting policy initiatives that improve these transitions on a seven-day-a-week basis. Further, the Ministry is continuing to enhance a variety of initiatives, including the Aging at Home Strategy, which encourages the LHINs and CCACs to adopt a "Home First" philosophy. This enables patients to return home, once their acute care at hospital is complete, to determine in their normal environment their required care needs and living arrangements. The Ministry's investment in the Aging at Home Strategy is allowing the LHINs to increase community capacity, thus expanding the range of appropriate places for patients who do not require a long-term-care home to wait for services and other options. The Ministry is working with the LHINs to resolve any legislative, regulatory, or policy barriers that would prevent the LHINs from implementing initiatives to address this recommendation.

Since the implementation of the ALC definition in July 2009, operational processes and tools have been put in place to answer clinical questions related to patients' ALC designation, and hospitals have been provided with additional guidance through bulletins, help desk support, teleconferences, and special documents. This is to ensure that data quality is of a high standard. Further, the Ministry has directed Cancer Care Ontario to monitor hospital adherence to and application of the new ALC definition. As system improvements are deployed in 2011, the Ministry will reinforce the definition of ALC with all hospitals. In addition, the Ministry will explore the recommendation to publicly report wait time data for ALC patients waiting to be discharged to the community.

PERFORMANCE MEASUREMENT

Performance indicators enable hospitals to monitor the progress of any initiatives, track their performance over time, and compare their performance with that of other hospitals using the same indicators. It is important that the indicators be reviewed by individuals with the power to facilitate change when needed, such as senior management and in some cases the board of directors.

All of the hospitals visited had systems in place for monitoring performance, including some indicators of patient flow throughout the hospital. One hospital monitored a number of indicators related to the discharge process, and reported results to senior management and the board of directors. For example, this hospital monitored the number of surgeries cancelled because of a lack of beds, the percentage of patients staying beyond their expected length of stay, the number of patients discharged by 11 a.m. each day, and the number of patients not in the best ward for their illness (for example, a heart patient in an orthopaedic ward). Although one other hospital tracked some similar measures, neither it nor the third hospital monitored all of these indicators or reported these measures to their board of directors. A lack of consistent performance measures used by hospitals limits the ability of the hospitals, as well as the

LHINs and the Ministry, to monitor and benchmark performance to identify and implement better practices in patient flow and the discharge process.

Performance measures can also be used to monitor the safety of patient discharges. Indicators for this purpose include the results of patient satisfaction surveys and readmission rates. All the hospitals visited had access to this information, but only one reported it to the board of directors on a regular basis.

All three hospitals visited used an independent survey firm to conduct patient satisfaction surveys. These surveys, which were mailed monthly to randomly selected discharged patients, included some questions on the discharge process, such as whether the purpose of the post-discharge medications had been explained and whether the patient had been told whom to call with any questions post-discharge. One of the hospitals we visited had over 80% of surveyed patients respond positively to both of these questions; the other two hospitals had positive response rates between 72% and 77% for the questions. However, the survey contained no questions on whether the patient had had sufficient time to make discharge arrangements before his or her discharge.

With respect to readmission rates, the Canadian Institute for Health Information (CIHI) is responsible for managing the Discharge Abstract Database (DAD), which captures data on unplanned readmissions within seven days and from eight to 28 days after discharge. For CIHI's purposes, an unplanned readmission is defined as the unscheduled return of a previously discharged patient to the same hospital for the same or a related condition. Unplanned readmissions to hospital within seven days of discharge may be an indicator that the patient was discharged from hospital prematurely. Unplanned readmissions to hospital within eight to 28 days of discharge are more likely to be an indicator of a systemic failure—that is, insufficient community resources. For the period April through December 2009, the provincial rate for unplanned readmissions within seven days of discharge was less than 2%; the rate from eight to 28 days post-discharge was just over 2%. These rates were consistent with previous fiscal years.

About 10% of Ontario hospitals do not report information on readmissions to CIHI, because reporting is voluntary. However, all three of the hospitals we visited reported such information. Two of these hospitals had fewer readmissions than the provincial average, whereas the third had almost double the average. One of the hospitals with fewer readmissions than the provincial average tracked and reviewed readmissions for specific ailments, in order to see if there were any systemic issues that needed to be addressed.

CIHI indicated that the unplanned readmissions are probably understated, for various reasons, including data not accurately reported by hospitals (that is, hospital staff may not identify every readmission) and no tracking of patients who return to a different hospital (for example, patients may receive specialized treatment at a regional hospital, but return to a local hospital with subsequent problems). Further, based on our analysis of information from the DAD, we noted that 22% of the people discharged from hospital during 2009 were hospitalized more than once that year. Although this group would include people admitted to hospital on different occasions for different illnesses, the percentage also suggests that readmissions are probably higher than currently reported. As well, none of the hospitals we visited tracked people who returned to the emergency department for the same or a related condition post-discharge, but were not readmitted to hospital.

RECOMMENDATION 7

To help evaluate the patient discharge process, hospitals should:

- in conjunction with their Local Health Integration Networks (LHINs) and Community Care Access Centres, develop measures for monitoring and reporting on the effectiveness and safety of hospital processes for discharging patients, and compare results among hospitals to help identify areas for improvement or best practices that can be shared with other hospitals; and

- regularly report key discharge performance indicators to senior management and the board of directors.

As well, to help monitor, on a province-wide and regional basis, unplanned returns to hospital for the same or related conditions, the Ministry, in conjunction with the LHINs, hospitals, and the Canadian Institute for Health Information, should track post-discharge emergency-department visits as well as readmissions to any hospital that occur within a few days (or otherwise established reasonable time frame) after a patient is discharged from a hospital.

SUMMARY OF HOSPITALS' RESPONSES

The hospitals generally agreed with this recommendation; one of the hospitals indicated it was reporting such information on a regular basis. This hospital also indicated that its LHIN, in collaboration with its hospitals and its CCAC, has created a monthly discussion forum to facilitate collaborative, transparent, and open dialogue about performance across institutions. Further, the hospital commented that such forums support peer-to-peer accountability and yield opportunities for the sharing of best practices and ideas to advance initiatives for improvement. Another hospital commented that much information was already available daily to its senior management and that its board of directors received quarterly updates. Further, this hospital indicated that all hospitals in its LHIN were using the same system to assess each patient's readiness for discharge, and that the LHIN, CCAC, and hospitals in its LHIN review indicators of hospital safety and effectiveness and share best practices.

With respect to patient readmission rates, one hospital suggested that, in addition to overall rates, readmissions should be tracked by medical condition because certain conditions, such as jaundice in newborns, tend to have a higher rate of medically required readmissions.

MINISTRY RESPONSE

The Ministry recognizes the importance of tracking readmissions and is in agreement with the Auditor General's observations. In this regard, the Ministry continues to work on capturing data on post-discharge visits to any emergency department because almost all unplanned hospital readmissions are admitted via the emergency department. However, capturing such data requires linking hospital in-patient and emergency department data sources (that is, linking the Discharge Abstract Database to the National Ambulatory Care Reporting System), which is resource intensive. Therefore, as a result of an external technical expert panel's evaluation of numerous readmission indicators (part of the development of the Health Care System Scorecard), tracking is initially being conducted on unplanned emergency department visits by mental-health and substance-abuse patients that occur within 30 days of the patient's discharge from any hospital. In addition, the indicator "readmissions to any hospital for certain medical conditions" is included in the proposed renewal of the performance agreement between the Ministry and the LHINs.

Chapter 3
Section 3.03

Ministry of Community and Social Services

Family Responsibility Office

Background

Financial responsibilities to children and/or a former spouse do not end with separation or divorce. In recognition of this, all court orders for child and spousal support in Ontario have since 1987 been automatically filed with, and in many cases enforced by, the Family Responsibility Office (Office). The Office also enforces private separation agreements that have been voluntarily registered with the courts and filed with the Office. The basic mandate of the Office has been unchanged since its inception in 1987: to enforce family-support obligations—aggressively if necessary—and to remit family-support payments to their intended recipients on a timely basis.

During the 1990s, a series of legislative changes strengthened the powers of the Office. In March 1992, for example, a legislative amendment was passed allowing the Office to collect up to half a support payer's net monthly income directly from the payer's sources of income, such as employment or a pension fund. In addition, the *Family Responsibility and Support Arrears Enforcement Act, 1996* instituted changes that:

- widened the definition of income from which support can be deducted to include commissions and lump-sum payments;
- provided additional tools to allow the Office to more effectively enforce support obligations; and
- made it possible to voluntarily opt out of the Office's enforcement of a support obligation or separation agreement if both parties agreed.

In the year ending March 31, 2010, the Office administered approximately 190,000 cases, up slightly from 180,000 at the time of our last audit in 2003. Each month, the Office registers approximately 1,200 to 1,500 new cases and closes a roughly similar number. Many of the people using its services are among the most vulnerable in society; nearly 20,000 individuals who have their support orders enforced by the Office also collect social assistance, often because their former partners failed to pay spousal or child support.

Historically, about one-third of all payers have been in full compliance with their support obligations; one-third have been in partial compliance (defined as meeting at least 85% of the current month's obligation); and one-third have been in non-compliance.

The Office has approximately 433 employees, all of whom work in a central office in Toronto, as well as 18 lawyers seconded from the Ministry of the Attorney General, and it maintains a panel of 70 private-sector lawyers to provide family-support litigation services across the province. The Office was originally under the authority of the Ministry of the Attorney General but is now under the Ministry of Community and Social Services.

The Office's total operating expenditures rose from $28.3 million in the 2002/03 fiscal year to about $44 million in 2009/10, with about two-thirds going to employee salaries and benefits.

Audit Objectives and Scope

The objectives of our audit of the Family Responsibility Office (Office) were to assess whether:

- it effectively enforced support obligations in compliance with requirements of the *Family Responsibility and Support Arrears Enforcement Act, 1996* and its regulations, and receipts from support payers were accurately accounted for and distributed to support recipients on a timely basis; and
- costs were incurred with due regard for economy and efficiency, and the effectiveness of services provided was meaningfully evaluated and reported upon.

Our audit included a review of the Office's administrative policies and procedures, as well as discussions with a cross-section of its staff. We also reviewed and assessed pertinent summary information and statistics, as well as a sample of individual case files. Comparative information was also obtained from a survey of family-support enforcement programs in other Canadian jurisdictions, and information was obtained from the Office of the Ombudsman of Ontario, which conducted a review of the Office in 2006.

Prior to commencing our audit field work, we identified the audit criteria that were used to address our audit objectives. These were reviewed and agreed to by senior management at the Office. We then designed and conducted tests and procedures to address our audit objectives and criteria.

Our audit was performed in accordance with standards for assurance engagements, encompassing value for money and compliance, established by the Canadian Institute of Chartered Accountants, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

We also reviewed several audit reports issued by the internal audit services of the Ministry of Community and Social Services with respect to the Office's business processes and the new IT system development project. We found that these reports could generally be relied upon and accordingly reduced the scope of our own work in certain areas.

Summary

There is no question that enforcing court orders for spousal and child support can be a difficult and complex undertaking, especially as the most problematic cases generally end up with the Office. Many individuals willingly do all they can to meet their support obligations but many others, either unable or unwilling to do so, go to great lengths to avoid making their required support payments.

While acknowledging the difficult environment in which the Office operates, we concluded in 2003 that it was in danger of failing to meet its mandated responsibilities. Although the Office agreed with our 2003 recommendations addressing these issues, this year we again concluded that it is not yet successful in effectively achieving its mandate of collecting unpaid child and spousal support payments. To be successful, it must take more aggressive enforcement action, enhance its case-management process, and significantly improve its information technology and communications systems.

After 2003, the Office spent about $21 million over 3½ years in an attempt to develop a state-of-the-art IT system required to support a new service-delivery model. However, this effort was abandoned in December 2006 without a new system being implemented. As well, while the Office initiated some changes to its case-management processes, these have not yet improved its success in collecting unpaid support.

While the Office has recently committed $50 million to develop a new IT system, with oversight from the government's Chief Information Officer, and is piloting a new case-management approach, management must also work toward instilling a more results-oriented culture to effect the necessary changes.

Our specific findings are detailed below:

- It took at least five months for the Office to receive, register, and, if necessary, begin to enforce newly issued court orders for family support. Although the courts sometimes were slow to send the documents, or sometimes sent incomplete documents, the Office was also slow in registering completed orders. Such delays make cases in arrears much more difficult to enforce from the outset and can result in undue hardship on recipients awaiting their support payments.
- Both our 2003 audit and the Standing Committee on Public Accounts in their subsequent report to the Legislative Assembly recommended that the Office consider assigning responsibility for each case to an individual case worker, as is done in most other provinces. Although each case is now assigned to an enforcement services officer, this "case-ownership model" also has a number of significant shortcomings similar to those we noted in 1999 and 2003. Among our findings:
    - payers and recipients do not have direct access to their assigned enforcement services officer, and the call centre remains the primary means by which they can contact the Office;
    - there is still no one assigned to proactively oversee a case, and many different front-line workers continue to work on the same case over time; and
    - there is only limited access to enforcement staff because many calls to the Office do not get through or are terminated before they can be answered.
- The Office's toll-free call centre remains the primary way for recipients and payers to contact the Office. However, call volumes are so high that nearly 80% of calls to the centre never get through, and of the ones that do get through, one in seven hangs up before being answered by Office staff.
- At the end of our audit in April 2010, there were approximately 91,000 bring-forward notes outstanding, each of which is supposed to trigger specific action on a case within one month. The status of almost one-third of the outstanding bring-forward notes was "open," indicating either that the notes had been read but not acted upon, or that they had not been read at all, meaning that the underlying nature and urgency of the issues that led to these notes in the first place was not known. In addition, many of the notes were between one and two years old.
- For ongoing cases, the Office took almost four months from the time the case went into arrears before taking its first enforcement action. For newly registered cases that went straight into arrears, the delay was seven months from the time the court order was issued. We also found that many enforcement actions were ineffective. As well, there were often inordinately long gaps between such actions that ranged from six months to five years, and averaged about two years.
- The Office is reviewing and working on only about 20% to 25% of its total cases in any given year—essentially, it acts in only one in four or one in five cases each year to, for example, take enforcement action, update case information, or track down delinquent payers. This may be caused in part by a caseload that is relatively high compared to that of other large provinces.
- We also noted that there is currently no quality control process or effective managerial

oversight with a view to assessing whether individual enforcement staff have made reasonable efforts to collect outstanding amounts. We noted, too, that Client Services Branch staff (including enforcement staff) averaged 19 sick days in the 2009/10 fiscal year.

- Summary information provided to us indicated that outstanding arrears totalled $1.6 billion as of December 31, 2009. However, that number was not reliable because the Office could not provide us with a detailed listing by individual account totalling this $1.6 billion. In addition, the Office had no data about how long these amounts had been outstanding or how much of the total they deemed uncollectible.
- The statistical information supplied monthly to the Ministry of Community and Social Services did not provide a useful summary of the Office's successes and failures in collecting outstanding support payments or in achieving its other key operational objectives. The Office itself acknowledged that it needs a defined set of measures to fully assess its operational performance.
- We noted security weaknesses in the Office's information technology system that put sensitive personal client information at risk of unauthorized access.
- On a positive note, we found that accounting controls covering payments from support payers and the subsequent disbursement to intended recipients were generally satisfactory, and most support payments were disbursed within 48 hours of receipt.

[illegible]

The Office is engaged in the process of changing the way we deliver services. This is a multi-year project that will mean better service for people who rely on this program, and more support payments reaching families. The Office is working on a number of integrated modernization initiatives that will move the organization from its current reactive business model to a model based on proactively managing cases.

These initiatives include:

- **streamlining existing operational policies and business procedures;**
- **modernizing the technology used at the Office;**
- **establishing performance measures for improved customer service; and**
- **increasing staff and management accountability.**

In 2010/11, the government is investing an additional $14 million to build the foundation for improved customer service by increasing oversight and capacity across the program. This investment builds on and complements the important steps the government has also taken to strengthen enforcement and increase fairness through legislative and regulatory amendments and to streamline business processes and improve outreach to, and education of, stakeholders.

Detailed Audit Observations

When the Office receives a support order or a request to register a private separation agreement, it sends an information package to the support payer and recipient. In most cases, support payments are withheld from the payer's income sources, such as an employer or a pension fund, and turned directly over to the Office. Support payers may also make payments directly to the Office.

The Office generally forwards the monthly support payments to the intended recipient within 48 hours of receipt. When a payer fails to meet part or all of his or her support obligations, the Office may take a number of progressively more aggressive enforcement actions.

An assistant deputy minister of the Ministry of Community and Social Services (Ministry) oversees the Office, which has four main branches, each headed by a director. A brief description of this structure, along with staffing details, is given in Figure 1.

REGISTRATION OF SUPPORT OBLIGATIONS FOR ENFORCEMENT

The Office's intake unit receives requests to register and enforce family-support orders and private separation agreements, and reviews them for completeness and accuracy. About one in 10 of the requests are incomplete or contain, for example, contradictory information, and these are returned to the sender for completion or clarification.

Once documents are deemed complete and accurate, they are registered. The Office's goal is to begin administering a case within 30 days of registration. In many cases, notices are also sent at this time to the payer's income sources, including an employer or pension fund, advising that support deductions are to be withheld from the payer's income and submitted to the Office.

Our review of a sample of court orders received by the Office found that, on average, it received them 48 days, or about 1½ months, after the date of the court order—but many were received more than six months after the court order was issued. We found that the Office had no ongoing initiatives or communications strategy to encourage the courts to forward all support orders or private separation agreements filed with a court to the Office in a timely manner. These delays were further compounded by the fact that it took another 104 days on average—about 3½ months—for a completed court order to be registered by the Office in its information system.

As a result, many support orders were already five months or more in arrears by the time the Office was in a position to administer them and, if necessary, begin enforcement action. This made the cases much more difficult to enforce from the outset and placed undue hardship on recipients, who were relying on the Office to enforce the court orders.

Figure 1: Details of Staffing at the Family Responsibility Office as of June 2010

Source of data: Family Responsibility Office

Branch/Function	Primary Function or Responsibilities	# of Staff
ADM's Office	• provide strategic leadership and management oversight of Office operations	8
Client Services Branch		
intake	• process court orders, register cases, prepare and maintain case files	51
enforcement	• staff call-centre phones and conduct various enforcement activities	206
special purpose enforcement	• oversee high-profile, French-language, Aboriginal, and other special cases	15
finance	• process financial adjustments to individual cases	17
managerial and support	• provide managerial oversight and administrative support	28
Financial & Administrative Services Branch		
records	• maintain and retrieve client files	17
finance	• process payments and journal entries, perform financial reconciliations	41
managerial and support	• provide managerial oversight and administrative support	14
Strategic & Operational Effectiveness Branch	• provide strategic planning leadership, business-process modernization, operational and strategic policy advice	23
Legal Services Branch		
staff lawyers	• provide legal representation and advice, oversee approximately 70 contract lawyers	18
managerial and support	• provide managerial oversight, administrative support	13
Total		**451**

We also found that with regard to the one in 10 court orders returned because they were incomplete or contained contradictory information, there was no follow-up process to ensure that the required information was received on a timely basis—or even that the case was ultimately registered at all.

We reviewed a sample of files for which incomplete or contradictory court orders were received and found that in about two-thirds of them, the average delay between the time the court order was originally received and the time it was registered with the Office was eight months—and in some instances as long as 18 months. Cases in the remaining third of our sample were still awaiting additional information or further clarification, and between six and 10 months had passed since the court order was first received by the Office.

RECOMMENDATION 1

To maximize the likelihood of successfully collecting support obligations, and to help minimize hardships for recipients awaiting their support payments, the Family Responsibility Office should:

- work proactively with family courts in Ontario to encourage them to provide complete and accurate information on a more timely basis so that family-support obligations can be registered and enforced more promptly; and
- register and begin to administer new cases requiring no additional information within the Office's internal target of 30 days of receipt of the court order.

[illegible]

We know that the justice system is a critical partner in our modernization plan. The Office has initiated direct outreach and provides information to the judiciary via quarterly bulletins to help improve the information exchange between the courts and the Office.

The Office and the courts are also piloting two projects:

- a dedicated court clerk has been located in its office to significantly speed up the flow of documents between the Office and the courts; and
- the Office is providing the courts with real-time electronic access to its database for current case financial information to expedite court decision-making on support arrears.

To improve enforcement of new cases, the Office has also refined the process for address verification. This results in better client communication and enforcement from the very start and will help it meet its internal goal of registering cases within 30 days and providing improved customer service to clients.

CASE-MANAGEMENT MODELS

Our two previous audits of the Office noted limitations in the "case-issue management model" used at the time to administer cases. In this model, any staffer who fields an inquiry regarding a particular case can provide the caller with an answer and perform such tasks as address updates or simple enforcement actions. However, more complex tasks requiring in-depth knowledge of a case and potential follow-up at a later date were to be performed by an enforcement services officer, who temporarily assumed exclusive jurisdiction for that task until the issue was resolved.

In response to our 2003 recommendations, and to one from the Standing Committee on Public Accounts of the Legislative Assembly, regarding this issue, the Office indicated in October 2004 that it would change its case-issue management model. Under the new "case-ownership model," enforcement services officers now have specific cases assigned to them and are directly responsible for these cases over the long term. It was the Office's view that the new model would allow enforcement services officers to proactively manage their caseload, follow a case from beginning to end, and spend more time on enforcement activities.

Since April 2007, ownership of each individual case has been assigned to one of 138 enforcement services officers. However, with the exception of one pilot project, both recipients and payers must initially contact the call centre for all matters. Routine enquiries or simple actions continue to be dealt with by the staffer who answers the call. However, more complicated or time-consuming issues are now forwarded, usually through a bring-forward note, to the case's assigned enforcement services officer, who in effect "owns" the case.

We noted that despite the change in the case-management model, there has been no substantial improvement in the collection of unpaid support payments. It is our view that the case-ownership model has not been effective in this regard because:

- unlike those in most other provinces, Ontario's payers and recipients do not have direct access to their assigned enforcement services officer, and the call centre remains the primary means by which they can contact the Office;
- there is only limited access to enforcement staff working in the call centre because, as noted in the next section, many calls do not get through or are terminated before they can be answered;
- there is still no one assigned to proactively oversee a case, and many different front-line workers continue to work on the same case over time; and
- the average number of assigned cases per enforcement services officer is relatively high at 1,377, which results in a large—and in some cases an almost overwhelming—number of outstanding bring-forward notes, indicating that many issues still aren't being dealt with on a timely basis.

RECOMMENDATION 2

Given the lack of effectiveness of the current case-ownership model in improving the ability of the Family Responsibility Office to collect unpaid support obligations, the Office should examine processes used in other jurisdictions to determine what best practices might be applicable to Ontario.

[illegible]

The Office is working to become more responsive to client needs. Moving to a proactive case-management model is central to the Office's modernization plan. Once in place, the model will give clients:

- a dedicated case worker for the life of their case; and
- easier access to their case worker and fewer blocked calls.

The Office has also been working with other jurisdictions across North America to identify enforcement best practices that can be applied to Ontario, and it has already put some of these practices in place.

The Office is also replacing its outdated technology platform with new case-management technology, expected to be in place in 2012. The new technology will play an important role in supporting a more efficient and effective case-management business model and will enable the Office to establish a secure web portal that would allow clients to access case information online.

CALL-CENTRE OPERATIONS

The Office's toll-free call centre, open from 8:00 a.m. to 5:00 p.m. Monday to Friday, remains the primary way for recipients and payers to contact it. Enforcement services representatives were to answer telephones for six hours of each working day, while enforcement services officers were to answer calls 10.5 hours of each work week. Between 20 and 70 people were assigned to answer telephones at any given time, depending on anticipated call volumes. We were advised that the Office's telephone system has 72 lines that can be used to answer a call or put it in a queue.

As was the case at the time of our last audit in 2003, the Office continues to monitor and report to the Ministry of Community and Social Services (Ministry) some basic information about the call centre, including number of calls answered and average wait times. Our review of this information noted that approximately 2,000 calls are answered each day. In addition to the call centre, both payers and recipients can access basic information about their case through the automated Integrated Voice Response (IVR) system, which fields about 200,000 calls a month.

As was the case at the time of our last audit in 2003, the Office did not regularly monitor any information with respect to:

- the number of calls that don't get through, which is critical to assess the adequacy of the service provided in a call-centre environment; and
- the nature or reason for the calls, with a view to reducing the number of future calls by, for example, expanding the capability of the IVR system.

A one-time study of call volumes conducted over three weeks in July 2008 by the Office's communications service provider found that, overall, 80% of calls to the call centre failed to get through, as detailed in Figure 2. The results of this one-time study are consistent with our own findings: 78% of the calls we placed to the call centre between January and March 2010 failed to get through.

Information provided to us also indicated that for every seven calls that were accepted by the system and put in a queue to speak to an Office staffer, one caller eventually hung up before getting an answer.

Figure 2: Number of Calls That Failed to Get Through to the Call Centre

Source of data: Family Responsibility Office

	Total Calls	Answered Calls	Failed Calls	% Failed
week 1	80,551	11,008	69,543	86
week 2	86,951	15,684	71,267	82
week 3*	33,806	12,948	20,858	62
Total	[illegible]	**39,640**	[illegible]	**80**

* partial week only due to system breakdown

While it is questionable whether a sufficient number of staff have been assigned to the call centre to answer all calls within a reasonable time, more calls could have been answered than were because:

- on many occasions, fewer staff were scheduled to work in the call centre than should have been the case if staffing was based on historical call volumes;
- the Office had no supporting documentation for, and could not demonstrate to us, whether the staff assigned to answer calls were actually on the job for part or all of their shift (in that regard, although the Office had established an informal guideline requiring enforcement staff to answer and document at least five calls an hour, it did not maintain the information necessary to assess how many calls each staffer was actually answering); and
- we noted that the Client Services Branch, which includes all enforcement staffers, averaged 19 sick days a year per employee, significantly reducing their availability to work scheduled call-centre shifts.

RECOMMENDATION 3

Since the call centre remains the primary means by which clients communicate with the Family Responsibility Office, the Office should review its call-centre operations and take the steps necessary to ensure that all calls are answered

within a reasonable time. It should also track and report the results of its efforts to improve call-centre operations.

[illegible]

The Office agrees and is committed to making it possible for clients to contact it in a timely manner. As noted by the Auditor General, the Office already answers approximately 2,000 calls per day and receives approximately 200,000 calls on the automated information line each month.

In June 2010, the Office implemented a new telephony system. It provides managers with information to refine call-centre scheduling, act more quickly to address lengthy wait times, and monitor the number of calls not getting through to it.

The Office has also enhanced senior-management oversight of its call centre, and developed new customer-service standards that provide benchmarks to measure performance and progress and guide future improvements to customer service.

BRING-FORWARD NOTES

As noted previously, more complicated or time-consuming issues requiring specific knowledge of a case were forwarded from the call centre to the case's assigned enforcement services officer, primarily through a bring-forward note. Such notes may also be generated by any staffer as a reminder of the need for specific action at a future date, and by the Office's computers when any document is scanned because it may require staff attention. The Office expects in most cases that bring-forward notes will be reviewed, acted upon, and closed within 30 days of their issuance.

We obtained a summary report showing that 91,000 bring-forward notes were outstanding as of April 9, 2010. Our review of this report, along with other information provided to us, led us to note the following concerns:

- The number of outstanding bring-forward notes for a sample of enforcement services officers ranged from 123 to 1,358 per officer.
- The status of almost one-third of the outstanding bring-forward notes was "open" in the computer system. These notes either had not been read (and thus the underlying nature and urgency of the issues that led to these notes in the first place was not known) or, if read, had not been acted upon and closed.
- Notwithstanding the Office's target of 30 days for addressing a bring-forward note, about half of all notes had been outstanding for more than 90 days, and many for between one and two years.

RECOMMENDATION 4

To help ensure that the Family Responsibility Office deals with such issues as client inquiries and enforcement actions appropriately and on a more timely basis, management should monitor whether enforcement services officers review their bring-forward notes, conduct the necessary follow-up work, and clear up these notes on a timely and appropriate basis.

[illegible]

The Office is committed to timely follow-up of client inquiries and enforcement actions. Its staff and managers will undertake a "blitz" to clean up bring-forward notes in fall 2010.

New staff and management training and new performance measures will help to ensure that bring-forward notes are being used properly, followed up on in a timely fashion, and closed appropriately.

SUPPORT-ENFORCEMENT ACTION

As of March 31, 2010, approximately two-thirds of all payers were in non-compliance or in only partial compliance with their support obligations. If the Office is to effectively collect these arrears, it is essential that it take the appropriate enforcement actions on a timely basis.

When undertaking enforcement action, staffers are expected to follow a series of steps prescribed in the Office's "Enforcement Tree," which starts with a series of passive steps and escalates progressively to more aggressive ones.

Examples of initial passive-enforcement steps include:

- initial notification that the case is in arrears, which gives the support payer 15 days to respond before any further enforcement action is taken;
- a request that the payer enter into a voluntary payment schedule for all amounts owing;
- intercepting certain federal payments at source, including income-tax refunds and benefits under Employment Insurance and Canada Pension Plan;
- filing a writ of seizure or sale or lien against the payer's personal property, such as car or household effects;
- intercepting lottery winnings; and
- reporting the payer to credit bureaus.

Examples of more aggressive enforcement steps include:

- issuing a notice of intention to suspend a delinquent payers driver's licence, and ultimately suspending it;
- issuing a notice of intention to suspend federal licences and passports, and ultimately suspending them;
- garnishing bank accounts, including joint accounts;
- registering a secure charge against specified real estate belonging to a payer; and
- taking the payer to court to explain the failure to pay, and imposing a jail sentence of up to 180 days.

Since each case is unique, there is no mandatory sequence of steps or timelines to be followed. As a result, individual enforcement staffers have significant discretion over what action to take and when to take it. In addition, it is the Office's practice to begin enforcement action only after it is notified by a recipient of non-payment or only partial payment.

Our review of a sample of case files that went into arrears since the time of our last audit in 2003 found that the enforcement actions taken were often neither timely nor effective. The initial notification of non-payment by the recipient was either not documented or so poorly documented that we often could not tell when it had been received. Instead, we compared the delay between the time the case first went into arrears and the time the first enforcement action was taken. We found that for ongoing cases, it took almost four months before a first enforcement action was taken—and seven months for newly registered cases for which no child or spousal support payments had ever been made.

Over half the cases we reviewed had inordinately long gaps between enforcement actions that ranged from six months to five years, and averaged about two years.

We noted that the Office itself acknowledged that it is reviewing and working only 20% to 25% of its total cases in a given year—essentially, it acts in only one of four or one in five cases each year to, for example, take enforcement action, update case information, or track down delinquent payers.

Many of the enforcement steps taken were ineffective. For example, delinquent payers only infrequently responded to the Office's requests to enter into a voluntary payment schedule. Similarly, none of the delinquent payers who were initially warned and then reported to credit bureaus paid any arrears—or even contacted the Office.

It is sometimes difficult even to track down a payer who is in arrears. The Office considers that one of the most effective ways of finding people is to use the Ontario Health Insurance Plan (OHIP) database. However, we were informed that OHIP allows the Office to make just 20 requests for information a month from this resource.

It was often unclear why a specific enforcement action was, or was not, taken. Given that enforcement staff have significant discretion in this area, it is critical in our view that staff adequately document the reasons for which they take specific measures.

We also noted that there is no quality control process for reviewing cases to assess whether reasonable efforts were made by individual enforcement staffers to collect arrears. In addition, the information system does not provide the information needed to facilitate effective managerial oversight.

RECOMMENDATION 5

To help it collect arrears more effectively, the Family Responsibility Office should ensure that enforcement staff:

- initiate enforcement actions for both ongoing and newly registered cases on a more timely basis; and
- document why specific enforcement steps were, or were not, taken, and concentrate on those steps that are apt to be more successful in particular circumstances.

The Office should also establish a quality control process and effective managerial oversight to assess whether reasonable efforts have been made to collect arrears. If it is determined that reasonable efforts have not been made, it should take corrective action.

Locating payers is often the most challenging issue, so the Office should also discuss with the Ministry of Health and Long-Term Care the current restriction on access to payer addresses from the OHIP database.

The Office agrees and is taking steps to improve the collection of support arrears.

The Office has been systematically reviewing and updating its operational policies and procedures to bring greater consistency to enforcement actions and improve enforcement results for clients. The implementation of new case-management technology in 2012 will enable the Office to become significantly more proactive in pursuing enforcement actions and payments for clients.

The Office is currently working with the federal government, law-enforcement organizations, and other provincial ministries to secure access to new tools and databases for locating defaulting support payers.

CASELOADS

There is no question that one prerequisite for the Office to effectively administer its caseload and its call-centre operations, as well as follow up on outstanding bring-forward notes in a more timely manner, is a sufficient number of enforcement staffers.

At the time of our last audit in 2003, the 60 enforcement services representatives then employed at the Office were expected to work in the call centre 4.5 hours per day while the 100 enforcement services officers then employed were expected to put in three hours a day of call-centre duty, with the remainder of their working day spent on enforcement activities. With the introduction of the new case-management model in April 2007, the 83 enforcement services representatives currently employed at the Office were expected to work six hours a day at the call centre, while the 138 enforcement services officers were expected to put in 10.5 call-centre hours a week and spend the remainder of their time on enforcement activities.

As previously noted, every case is now assigned to one of the 138 enforcement services officers—in effect, these staffers "own" a case and are responsible for more complicated or time-consuming issues and, ultimately, successful resolution of cases involving outstanding support payments. We noted this has led to an average caseload total of 1,377 for each enforcement services officer. In two other large provinces, enforcement staff operated with an average caseload of 446 and 312, respectively. Even when distributing the caseload among total staff rather than just enforcement staff, the average remains high: 421 for each Office staffer, compared to 301 and 212 in the two other large provinces. Despite a 35% increase in enforcement staff since 2003, caseloads remain considerably higher than in the other large provinces we surveyed.

We also noted that, notwithstanding previous recommendations on the need for caseload standards from both our Office and the standing Committee on Public Accounts of the Legislative Assembly, the Office never established standards for what a reasonable caseload should be. In addition, there is currently no system or requirement in place to monitor and assess the productivity of enforcement staff to ensure that they are working efficiently and effectively.

RECOMMENDATION 6

To help improve the administration of its enforcement program, the Family Responsibility Office should:

- **establish reasonable criteria and benchmarks setting out what is a manageable caseload, and staff its enforcement activity accordingly; and**
- **regularly monitor and assess the productivity and effectiveness of its enforcement staff, both individually and collectively, in responding to inquiries, taking timely and appropriate enforcement actions, and collecting outstanding support obligations.**

Efforts are under way to establish the best possible caseload-management model for staff at the Office. This work will be complete by the end of this fiscal year.

The shift to a case-ownership-based business model has helped manage caseloads as enforcement services officers can spend more time focusing on enforcement rather than on call-centre shifts.

In addition, new case-management technology, expected to be in place by 2012, will provide enforcement staff with better tools, such as automated reminders, to enable them to work more effectively. It will also help management to better monitor the effectiveness of enforcement actions and make recommendations that will improve support-payment outcomes.

SUPPORT PAYMENTS IN ARREARS

The Office advised us that the total amount of support payments in arrears as of December 31, 2009, totalled approximately $1.6 billion, up 23% since the time of our last audit in 2003. However, the reliability of this number is limited because the Office was unable to provide us during our field work with other detailed information, such as a listing of amounts outstanding by individual accounts that totalled the $1.6 billion; nor could the Office provide us with information about the number and total value of support payments owing that were not collected in recent years, or the number and total value of accounts in arrears that are deemed uncollectible.

We were able to establish, however, that nearly 20,000 individuals who have their support orders enforced by the Office collect social assistance, in many cases because their former partners failed to pay spousal or child support.

It was only at the end of our field work that the Office was able to provide us with summary information about the total amount in arrears, sorted by amount outstanding, for each account. That information is detailed in Figure 3. However, it was not able to provide us with details about how long these amounts had been in arrears.

Figure 3: Total Number of Cases with Amounts in Arrears as at December 31, 2009

Source of data: Family Responsibility Office

Amount in Arrears ($)	# of Cases	% of Cases	Total Arrears ($ million)	% of Arrears
less than 5,000	69,038	54.0	96.72	6.0
5,000-9,999	17,809	13.9	128.76	8.0
10,000-24,999	22,727	17.8	366.34	22.8
25,000-49,999	11,761	9.2	411.41	25.6
50,000-99,999	4,937	3.9	330.42	20.5
100,000+	1,489	1.2	275.90	17.1
Total	**127,761**	**100.0**	**1,609.55**	**100.0**

This type of basic information on accounts receivable would normally be available in an organization. In essence, the Office did not monitor—or even know—the amount of arrears it collects. In addition, it did not monitor or assess arrears balances with respect to standard evaluation or risk criteria, such as the length of time individual accounts or total amounts have been outstanding, or the number of accounts with large amounts outstanding. Such information is critical to properly manage the collection function by, for example, prioritizing accounts for collection, identifying old outstanding amounts that are likely impossible to collect and should be written off, or identifying large individual balances that may warrant more vigorous collection effort.

At the time of our last audit in January 2003, almost 19,000 cases with arrears totalling $290 million had been transferred to private collection agencies. However, this initiative was deemed unsuccessful because the agencies collected less than 1% of the outstanding balances assigned to them. The practice of sending accounts in arrears to collection agencies has since been discontinued.

RECOMMENDATION 7

To enable it to concentrate its efforts on those accounts most likely to yield results and to objectively measure the effectiveness over time of its enforcement activities, the Family Responsibility Office needs to obtain better data on support payments in arrears.

[illegible]

The Office agrees and is taking action to obtain better data on the effectiveness of enforcement activities and support payments in arrears.

In 2010, the Office implemented a number of key performance indicators, such as the cost of collecting support payments, value of arrears owed to recipients, number of enforcement actions by type, and disbursement rates. The key performance indicators provide critical information to evaluate overall program performance and pursue changes that will result in better enforcement outcomes for clients.

PAYMENT PROCESSING

We were advised that the Office received and processed approximately 150,000 individual support payments each month, with a total value of between $50 and $60 million. Just under half of these payments were by cheques, which were forwarded directly to the Office's bank for processing, while the remainder were in the form of electronic transfers. Of these transfers, about half were sent directly to the Office's bank by the payor while the remainder were processed by the Office itself.

Approximately 80% of the Office's payments were in the form of direct deposits to recipients' bank accounts while the remainder were by cheque. The Office's goal is to disburse money to intended recipients within 24 to 48 hours of receipt.

We found that accounting controls over payments received from payers (both electronically and by cheque) and their subsequent disbursement to the intended recipients were generally satisfactory. In addition, most support payments were disbursed within 48 hours of receipt. However, a variety of factors, as described below, led to some support payments sitting in "suspense" accounts, which did not have an adequate level of internal control.

Identified Suspense Account

As of December 31, 2009, the Office held about $2.9 million from more than 9,500 transactions in an "identified suspense account." Although the 2,653 intended recipients were known, the money could not be paid for a variety of reasons including, for example, the need to await a court order.

Our review of a sample of balances in this account found that the Office failed to follow up on or clear almost three-quarters of these balances within the required 90 days of receipt. In fact, we found that the average age of all items in this account was 276 days—more than nine months—and many were over three years old.

Unidentified and Miscellaneous Suspense Accounts

As of December 31, 2009, the Office held $2.1 million in an "unidentified suspense account," which contained money from nearly 9,000 transactions on behalf of unknown recipients. The Office does not have a specific time frame for following up on, or clearing, items from this account. We found that the average age of these items was 3.3 years, with many over 10 years old.

We also noted that as of December 31, 2009, $7.2 million had been transferred from the above two suspense accounts to a third, the "miscellaneous suspense account." The Office said it transferred the money after making what it believed to be all possible attempts to obtain the necessary information to identify or locate the intended recipients. However, we noted that a 2009 review of a small sample of these balances by Ministry of Revenue auditors successfully identified or located many of the intended recipients and led to payments to recipients an average of five years after they were transferred to the suspense accounts.

We found that the investigations and decisions to release funds from the suspense accounts were often not adequately documented or approved. In addition, as was the case at the time of our last audit in 2003, there was no managerial review or oversight of the release of funds from the three suspense accounts. As a result, amounts could be transferred undetected from any of them to unintended recipients, either in error or intentionally.

Our other observations and concerns with respect to the payment-processing function included the following:

- As of December 31, 2009, there were credit balances totalling about $18.5 million in the accounts of 30,000 individual support payers. However, the Office was unable to tell us what proportion represented undisbursed cash receipts, technically refundable to the support payer, and what proportion resulted from retroactive adjustments to support owing, which are not refundable. In practice, undisbursed cash receipts are only rarely returned to the support payer, and usually only at the discretion of enforcement staff.
- Although the Office acknowledged an obligation to charge interest from the date a payment goes into arrears if the support order provides for doing so, it has never calculated such interest because its computer system is unable to calculate and accrue interest, and it is not efficient or economical to do so manually. Unlike its counterparts in some other provinces, the Office pursues interest on

arrears only if the recipient voluntarily calculates the interest owing and provides the total to the Office in a sworn statement.

Due to the higher risk associated with suspense accounts and receivables accounts with large credit balances, it is critical that adequate internal controls be in place, especially over payments from these accounts.

RECOMMENDATION 8

While the Family Responsibility Office is generally successful in processing and getting most support payments to intended recipients on a timely basis, it should strengthen its internal controls by:

- **more diligently following up on and clearing items in the identified, unidentified, and miscellaneous suspense accounts; and**
- **adequately documenting the basis on which funds have been released from suspense accounts, along with evidence of managerial review and approval of the release of such funds.**

The Office should also develop the computerized capability to calculate interest on support payments in arrears.

[illegible]

The Office agrees that all efforts need to be made to ensure that recipients receive the support to which they are entitled in a timely manner.

In recognition of this, it has added resources to follow up on funds in suspense accounts and to clear them on a priority basis. It will also be changing its financial policies, and will include performance time frames for action so that payments get to clients more quickly.

The Office does not have the legislative authority to calculate interest, but it does pursue interest in those cases where a court order includes an interest-payment provision when claimed by the recipient.

PERFORMANCE MEASURES

The Office prepares a "Monthly Metrics Report" that it provides to the Ministry of Community and Social Services (Ministry). Our review of this report noted that it contained basic statistical information, including:

- total number of active support cases;
- total number of inquiries related to the Office from Members of the Provincial Parliament;
- total number of inquiries related to the Office from the Ombudsman of Ontario;
- percentage of family-support cases in full and in partial compliance (defined as meeting at least 85% of the most recent month's support obligation); and
- number of calls answered in the call centre and through the automated telephone system.

While this information is undoubtedly of interest to the Ministry, it is not that useful in enabling an assessment of the Office's success in meeting its key operational objectives, or for identifying areas in need of improvement. Even the percentage of support cases in full or partial compliance is not meaningful in our view because a payer who has been non-compliant for months or years and then makes a partial payment in one month is put in the same category as one who has fully or partially complied for an extended period of time.

However, in administering and enforcing court orders for child and spousal support, the Office has established a number of higher-level objectives for itself, including:

- collection and disbursement of support payments in a timely manner;
- improvement of compliance rates by building constructive relationships with clients and partners to ensure support obligations are met; and
- improvement of customer service, enforcement, and collection of support payments.

These are good results-oriented measures and the Office should assess and report on its progress in achieving these objectives.

Examples of the types of information that the Office could be reporting to permit the Ministry to more effectively evaluate its performance and identify areas in need of improvement include:

- time required to disburse funds received electronically or by cheque to intended recipients;
- timeliness of various enforcement actions taken and their relative success;
- number of cases with significant arrears that have not been subject to enforcement action for a prolonged period of time;
- number of calls to the call centre that do not get through, and the number of callers who are put in a queue and eventually hang up before they are answered;
- length of time that accounts have been in arrears and an assessment of the likelihood they can be collected; and
- the nature and number of complaints received from all sources and the time it takes to resolve them satisfactorily.

The Office acknowledged that it needs more defined benchmarks to measure and assess its organizational performance, but also recognizes that it does not currently have the capacity to obtain the necessary information. This lack of adequate performance measurement severely limits its ability to identify gaps in business processes and fix problems quickly. It also contributes to the Office's inability to proactively remedy issues before they become pervasive. In essence, the adage that "you can't manage what you can't measure" sums up a key challenge faced by the Office.

The Office hired a survey firm to conduct a comprehensive client-satisfaction survey in 2005. The survey identified a number of customer-service concerns, none of which were identified in the monthly report sent to the Ministry. Many were consistent with our findings in earlier sections of this report and with information obtained from the Ombudsman of Ontario. For example, the survey found that the top four frustrations experienced by recipients were:

- ineffectiveness of the collection function;
- long wait times;
- inability to contact an enforcement staffer directly; and
- lack of knowledge or understanding of their particular case by the staffer who ultimately takes their call.

The Office has not conducted a similar survey since 2005.

RECOMMENDATION 9

To help assess whether the Family Responsibility Office is meeting its stated objectives, and to help identify in a timely manner those areas needing improvement, the Office needs to define its key operational indicators, establish realistic targets, and measure and report on its success in meeting such targets.

In 2010, the Ministry established a Performance Measurement Framework for the Office.

Operational measures are being developed across the Office for items such as the cost of collecting support payments and the time needed to respond to a changed support order. The measures will be results-oriented to help the Office achieve customer-service excellence, and increase compliance rates and collection of support payments. The measures will evolve and be continuously improved to focus on better results for clients, particularly as new data and information become available to the Office through the new case-management technology.

COMPUTER SYSTEMS

Managing Enforcement with Computerized Assistance (MECA) System

For most of its business, the Office currently uses software called Managing Enforcement with Computerized Assistance (MECA), formerly known as

Maintenance Enforcement Computerized Accounting, which is hosted on a mainframe computer in Toronto. In use since the mid-1980s, MECA was originally developed primarily as a bookkeeping system for tracking money coming in from payers and going out to recipients. The system was upgraded in the late 1980s and early 1990s to add a case-management function, as well as a server-based front-end interface (FRONT) to give call-centre staff better access to case information and a document-management system.

However, the quarter-century-old MECA is out of date by today's IT standards and does not adequately support the administration of the Office. The Office has known about the system's deficiencies for many years, and we noted some of them in our previous audits. They include:

- the considerable time and expense required to make enhancements to the software, partly because of poor or missing system documentation (in many cases, the Office is reluctant to make major system enhancements for fear of rendering the whole system unstable);
- a cumbersome process of navigating among several screens in order to obtain information on case activities; and
- MECA's inability to provide management with the information necessary to monitor and assess whether the program is delivered efficiently or effectively (for example, detailed information about case administration by enforcement staff, or amounts in arrears, simply isn't available).

The Office acknowledged as far back as 1996 that MECA needed to be replaced but in the absence of a new system, it had no choice but to continue to use the system despite its many limitations.

In November 2009, the Office's server operations were moved from Toronto to the government's central data centre in Kingston. We noted that shortly before that move, the Office spent $250,000 on new servers to upgrade its in-house operations. However, these new servers are now considered redundant and are not used.

The Office's old servers at its head office in Toronto were to be shut down in November 2009, and Ministry IT cluster staff responsible for these services thought this had been done. However, we found the eight old servers were still up and running, accessible on-line, and unprotected by a firewall. Although these servers were no longer being used for day-to-day operations, they still contained historical client data, including sensitive personal documents. The Office had shut down seven of the eight servers by mid-June 2010 after we advised them of our concern.

Our testing indicated that the new servers and security firewalls in Kingston were secure from attack from outside the government while the old ones at the Office's head office in Toronto were not. We also identified weaknesses that made both the Kingston and Toronto servers vulnerable to misuse by employees operating within the government firewall. As a result, we were able to access databases and download confidential client information, including financial and legal documents such as court support orders and images of support-payment cheques, from both Kingston and Toronto.

Other concerns about MECA include:

- the exchange of payment information with nearly 40 other organizations through emails that are not encrypted or otherwise effectively protected, leaving a risk that these emails could be intercepted or otherwise compromised;
- failure to remove system-user IDs of employees who had left the Office, making the system vulnerable to unauthorized access;
- provision of user IDs to IT system-development staff, allowing them access to the live MECA system, which is improper segregation of duties; and
- the assignment and reassignment of IDs to groups or individuals without proper tracking, compromising accountability.

Integrated Service Delivery Model (ISDM)

Beginning in 2004, the Office attempted to develop a new computer system called the Integrated Service Delivery Model (ISDM). Originally budgeted at $30 million, ISDM had an estimated completion date at the end of the 2006/07 fiscal year. The main purpose of ISDM was to implement a new integrated case-management information system to replace MECA.

However, it became clear that the project would not be successfully completed and the decision was made in December 2006 to discontinue it after $21 million had been spent or committed to be spent on the project, as detailed in Figure 4.

We understand that the Office took legal action against the ISDM project-management consultant and reached a settlement, the terms of which are confidential.

We also noted that the Office had little use for the $3.5 million worth of computer equipment purchased for the project, and most of the equipment could not be accounted for.

After the ISDM failure, the Office hired another consultant to review what went wrong. The consultant concluded that several factors contributed to the project failure, including:

- ineffective project-governance structure;
- poor project and vendor management and control; and
- lack of financial monitoring and control.

The Family Responsibility Office Case Management System (FCMS)

In June 2007, the Office received approval to develop and implement a new computer system, the Family Responsibility Office Case Management System (FCMS). Budgeted at $43.5 million, FCMS was originally to have been implemented by March 2011. However, the implementation date has been pushed back to April 2012 and the budget has increased to $49.4 million.

Figure 4: Expenditures for the ISDM Project ($ million)

Source of data: Family Responsibility Office ISDM Project Review

Item	Amount
Office staff salaries and benefits	5.3
project management consultant	1.2
other consultants	8.4
purchase of IT equipment	3.5
other direct operating costs (training, supplies, etc.)	2.6
Total	**21.0**

The consultant engaged to review the ISDM failure produced recommendations aimed at ensuring that the mistakes of that project would not be repeated with FCMS. We reviewed these recommendations and noted that the FCMS project team is specifically addressing all of them.

One key recommendation called for the creation of a project steering committee, which the Office has done. Committee co-chairs are the deputy minister of the Ministry of Community and Social Services and the Corporate Chief Information Officer of the Ministry of Government Services. Internal Audit is also an active participant on the project team.

RECOMMENDATION 10

Pending development and implementation of a new IT system, the Family Responsibility Office should strengthen security requirements and processes for its existing IT operations, including the Maintenance Enforcement Computerized Assistance system, to help better protect sensitive client information.

The Office agrees that protection of sensitive client information is of critical importance, and has taken steps to mitigate risks related to the existing legacy systems:

- **By September 2010, OPS Corporate Security will have completed additional penetration** testing on the firewalls and servers located in the Kingston Data centre to identify and mitigate risk and vulnerability.

- The Office has initiated a project to investigate the use of the enterprise file-transfer process to exchange information with external organizations using secure and encrypted protocols. It has also improved its processes for monitoring and controlling all assigned-user IDs.

The Family Responsibility Case Management Project is actively addressing all recommendations arising from the review of the past Integrated Service Delivery Model project and is on track to deliver a case-management solution to the Office by spring 2012.

Chapter 3

Section

3.04

Ministry of Health and Long-Term Care

Home Care Services

Background

Community Care Access Centres (CCACs) are responsible for providing home care services to Ontarians who, without these services and supports, might need to stay in hospitals or long-term-care facilities, or who may require services from other community-based agencies. Home care also assists frail elderly people and people with disabilities to live as independently as possible in their own homes.

Generally, CCACs contract with service providers for home care services rather than provide those services directly. The role of the CCAC is to assess potential clients for eligibility and approve provision of the following services to eligible recipients:

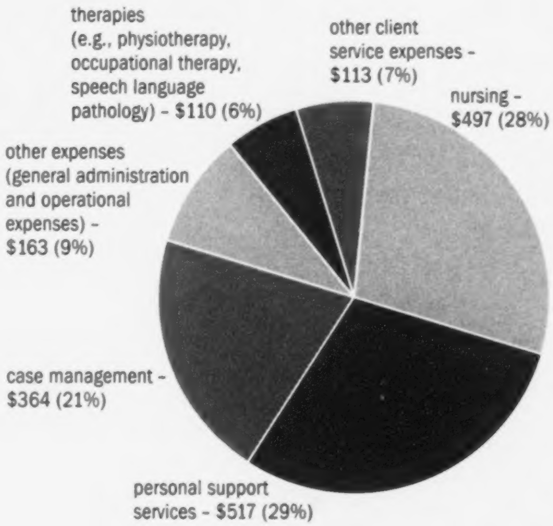
- Professional services—including nursing, occupational therapy, physiotherapy, social work, speech language pathology, and dietetics.
- Personal support and homemaking services—including assistance with daily living, such as personal care.

CCACs also authorize admissions to long-term-care homes.

For the year ended March 31, 2009, Ontario spent a total of $1.76 billion to provide home care services to 586,400 clients. Figure 1 shows a breakdown of CCAC home care expenditures for the 2008/09 fiscal year. At the time of our last audit, reported in our *2004 Annual Report*, total expenditures for similar home care services were $1.22 billion to serve about 350,000 clients. Since then, total expenditures have increased by more than 40% while the number of clients that CCACs serve has increased by more than two-thirds.

Figure 1: Breakdown of CCAC Expenditures, 2008/09 ($ million)

Source of data: Ministry of Health and Long-Term Care



According to data provided by the Ministry of Health and Long-Term Care (Ministry) from the

2008/09 fiscal year, the approximate age breakdown for admissions to home care services was as follows: 55% of CCAC clients are over 65 years of age; 35% are between 19 and 64; and 10% are under 19. In the 2008/09 fiscal year, home care clients received approximately 19.8 million hours of personal support and nursing care, 6.7 million professional service visits, and 1.3 million case manager visits.

Each CCAC reports to one of the 14 Local Health Integration Networks (LHINs), which, under the *Local Health System Integration Act*, are responsible for planning and funding health-service providers. The LHINs, in turn, are accountable to the Ministry of Health and Long-Term Care.

Audit Objective and Scope

The objective of our audit was to assess whether the Community Care Access Centres (CCACs), Ministry of Health and Long-Term Care, and Local Health Integration Networks (LHINs) had mechanisms in place to:

- meet the needs of people requiring home care services;
- fund services based on client needs and monitor compliance with service requirements to ensure that services are provided equitably and consistently across the province; and
- measure and report on the quality and effectiveness of the services provided in the home.

The scope of our audit included review and analysis of relevant files and administrative procedures, and interviews with appropriate staff at the Ministry, LHINs, and CCACs. We visited three CCACs: South East CCAC (head office in Kingston), Central CCAC (head office in Newmarket), and Hamilton Niagara Haldimand Brant CCAC (head office in Brantford). The expenditures of these three CCACs totalled $526 million, representing about 30% of total CCAC expenditures. We sent a survey to the remaining 11 CCACs that we did not visit.

As part of our audit, we attended visits to clients' homes with case managers from each of the three CCACs. We also met with representatives from the Ontario Association of Community Care Access Centres, the Ontario Home Care Association, the Ontario Health Quality Council, and the Ontario Home Care Research and Knowledge Exchange.

We did not rely on audit reports from the Ministry's Internal Audit Services because it had not conducted any recent work on CCACs.

Summary

The Ministry of Health and Long-Term Care has recognized that enhancing home care services offers both cost savings and quality-of-life benefits by allowing people to remain in their homes as opposed to being in long-term-care facilities, hospitals, or other institutional settings. Home care funding has increased substantially since our last audit, and independent CCAC client satisfaction surveys indicate that home care clients are generally satisfied with the services they receive.

However, some of the main concerns expressed in our previous audits of the home care program, in 2004 and 1998, still remain. Specifically, funding is still not being allocated primarily on the basis of locally assessed client needs but rather remains a historically based allocation. This can result in clients with similar home care needs not receiving similar levels of services. As well, CCACs do not have adequate assurance that services are being acquired from their external providers in the most cost-effective manner. Specifically, we found that:

- The longstanding issue of funding inequities among CCACs for home care services remained largely unresolved. We found that the home care funding per capita across the 14 CCACs still varied widely across the province. For instance, one CCAC received twice as much in per capita funding as another. Total funding to CCACs has not been allocated on the basis of specific client needs or even on a more representative basis that takes population size, growth, age, gender, rural locations, and other local needs into account. The Ministry has developed a new funding model but its use is, as yet, too limited to have any effect in addressing funding inequities.

- Ministry policy requires CCACs to administer programs in a consistent manner to ensure fair and equitable access for all consumers no matter where they live in the province. Due to funding constraints, one of the three CCACs we visited had prioritized its services so that only those individuals assessed as high-risk or above would be eligible for personal support services, such as bathing, changing clothes, and assistance with toileting. Clients assessed as moderate-risk were deemed not eligible for funded services as a necessary cost-containment measure to achieve a balanced budget. However, we noted at the other two CCACs we visited that clients assessed as moderate-risk were provided with personal support services or placed on a wait-list to receive them.
- Eleven of the 14 CCACs have some form of wait-list for various home care services. Wait-lists were usually caused by a lack of financial resources or a shortage of specialist resources. Although there were about 10,000 people waiting for various services ranging from an average of eight days to 262 days at these 11 CCACs, the other three CCACs said that they had no wait-lists at all. This is another indicator of a possibly inequitable distribution of resources among the 14 CCACs, which can arise when funding is provided on a historical basis rather than a needs basis.
- The absence of standard service guidelines has resulted in each CCAC developing its own guidelines for frequency and duration of services. As a result, guidelines varied in the time allocated for each task and the frequency of service visits recommended. This means that the level of service offered may vary from one CCAC to another.
- CCACs have made good progress in implementing a standardized initial client-care assessment tool. However, these assessments to determine clients' needs were often not being completed on a timely basis. At the CCACs we visited, many clients received their assessments ranging from four days to as long as 15 months after having been identified as requiring home care services. The required periodic reassessments of clients to ensure that service plans continued to meet their needs were also backlogged at all three of the CCACs we visited.
- Only one of the CCACs we visited commenced routine visits to its service providers to monitor the quality of care they delivered. These proactive visits identified problems that needed to be addressed. Better tracking of client events and complaints would also give some indication of the quality of home care provided. The recent effort made by the CCACs to conduct independent, province-wide surveys on client satisfaction is a good initiative.
- More than 70% of CCAC expenditures were for purchases of services such as nursing, personal support/homemaking from external service providers. However, CCACs told us that they could not obtain the best value from providers, from both a cost perspective and a service perspective, because they were not able to procure services competitively. The Ministry has suspended the competitive procurement process on three occasions since 2002 and, at the time of our audit, the process was still under suspension. CCACs advised us that continuity of care was an issue—their clients were concerned about losing their current support workers if a competitive procurement process resulted in a different service provider being selected.

- The lack of competitive procurement process has contributed to significant differences in rates paid to service providers within each CCAC and among the three CCACs we visited. For example, rates paid for shift nursing services by one CCAC could be twice as high as those paid by another CCAC.
- The 14 CCACs have jointly made good progress in implementing an updated case management information system, to provide useful information needed to help measure and improve performance.
- LHINs have accountability agreements with their CCACs that include 13 performance measures and targets. These targets were based on actual CCAC performance for each measure in the 2008 fiscal year. As trend data for all CCACs becomes available and is analyzed, public reporting of certain of these performance benchmarks should be considered.

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Home care is a critical component of our health system. Currently, over 600,000 clients receive home care services in Ontario. The Ministry of Health and Long-Term Care (Ministry) recognizes that home care services allow people to remain at home for as long as possible and support our hospitals and long-term-care facilities in functioning properly.

In the 2009/10 fiscal year, the Ministry provided Community Care Access Centres (CCACs) with $1.9 billion in funding—an increase of 56% since 2003/04.

The government's support for the home care and community sector is reflected in its commitment of an unprecedented $1.1 billion investment over four years for an Aging at Home Strategy that will provide seniors and their caregivers with an integrated continuum of community-based services (including home care) that allows them to stay healthy and live more independently in their homes.

Detailed Audit Observations

The way that home care is administered in Ontario has changed since our last audit in 2004. At that time, the Ministry of Health and Long-Term Care, through its Corporate Community Health Division and seven regional offices, provided transfer payments to 42 Community Care Access Centres (CCACs) operating under the *Community Care Access Corporations Act* to provide home care services to Ontarians. Under this structure, the CCACs reported directly to the Ministry's seven regional offices.

In 2006, 14 Local Health Integration Networks (LHINs) were formed under the authority of the *Local Health System Integration Act*. The LHINs were responsible for planning, funding, co-ordinating, and integrating health-care services within their regions. With this new legislation, the Ministry eliminated its seven regional offices. However, the Ministry has retained ultimate accountability for the health-care system by holding each LHIN accountable for the performance of its local health system. Also in 2006, regulation changes to the *Community Care Access Corporations Act* amalgamated the former 42 CCACs to align with the same boundaries as the 14 newly formed LHINs. These 14 became operational on January 1, 2007. The CCACs became non-profit, community-based organizations in 2009. Each of the 14 CCACs reports to its local LHIN.

In 2008, the Ministry issued a strategy to strengthen home care in Ontario. Among the things it called for were increased accountability from CCACs and their service providers; changes to the way client services are delivered; and an enhanced CCAC mandate to enable placement of clients into, for example, adult day-programs and assisted living services in supportive housing. CCACs were also enabled to place persons into chronic-care and rehabilitation beds in public hospitals, thereby leveraging their expertise in case management to improve both client service and health-system efficiency.

The Ministry has recognized the dual benefit of enhancing home care services. Having people receive care in their homes whenever possible not only means better quality-of-life for the patient, it is also far more cost-effective than housing a patient in a hospital, long-term-care facility, or other institutional setting to receive care. One CCAC we spoke to informed us that, for instance, personal support services can enable individuals who have moderate risks/needs to continue living independently in their homes. Not having these services could lead to deterioration in a client's condition that could result in hospitalization or institutionalization.

Home care clients have reported in client satisfaction surveys that they are generally satisfied with the services provided by CCACs. However, some of our key concerns from our previous home care audits have still not been satisfactorily addressed, such as the way home care is funded. Except for the funding of new initiatives, funding for the most part is still largely historically based rather than being based more directly on the local needs of individual CCACs across the province.

FUNDING OF HOME CARE SERVICES

Since our last audit in 2004, home care funding has increased significantly—from $1.22 billion to $1.76 billion in the 2008/09 fiscal year, an increase of more than 40%. Included in this increase for the 2008/09 and 2009/10 fiscal years, the CCACs received 4% base funding increases to support normal service growth and inflation in each year. We found in our audit, however, that the funding increase was not based on an assessment of the local needs of each CCAC. This has not addressed the longstanding issue of some CCACs continuing to receive significantly more per capita funding than others that offer similar services. Some CCACs have undertaken cost-containment and service-level containment measures to balance their budgets, such as increased wait-listing of clients, prioritizing services, and reducing administrative costs, to name a few. As a result, clients with similar conditions may well receive different levels of service across the province.

The inequitable distribution of funds was especially significant in the amount of base funding that CCACs got, which accounted for most of the funding they received.

Base Funding

Our 1998 and 2004 audits of home care and community-based services pointed out that the funding formula needed to take into account specific service needs, ongoing demographic changes, and changes to the health-care system. In the Ministry's 1998 response to our recommendation, it stated that CCACs are required to administer programs in a consistent manner to ensure fair and equitable access for all consumers no matter where they live in the province. The Ministry indicated in 2004 that it had further revised its funding formula to take into account population size, age, gender, rural locations, and the level of home care service needs of people who have been discharged from hospitals.

The Ministry also noted that a Funding and Budget Planning Committee for CCACs was established in March 2004 to oversee the allocation of new funds, monitor the impact of funding allocations, and review and plan for improvements to the funding formula. However, with the realignment of the former 42 CCACs to the current 14 CCACs, accountability for funding was transitioned to the LHINs.

In 2006, the Ministry recognized that there continued to be per capita funding inequities among CCACs and elsewhere in the health-care system. To address this issue, the Ministry has developed another new funding methodology called the Health Based Allocation Model (HBAM). Under this model, funding was to be based on measures of health that take into account demographic factors such as age, gender, socio-economic status, and rural locations. It was also to be based on characteristics of health-service providers, such as specialization, location, and economies of scale. HBAM is to apply actual past utilization and actual costs incurred in determining the allocation of funds.

Starting in the 2008/09 fiscal year, HBAM was used to determine funding for two new home care initiatives: a program called Aging at Home, and legislative changes that increased the maximum hours of service for clients. However, the Ministry indicated that it had not received government approval to apply the HBAM model to base funding to CCACs for home care. Consequently, funding is still mainly based on historical funding patterns. Given that base funding represented 90% of the funding (since realignment) to the three CCACs we visited, applying HBAM only to new initiatives means that any funding adjustments aimed at achieving equity will occur at an extremely slow rate.

Our review found that many of the funding inequities that existed before realignment still existed after realignment. For instance, at the time of our audit, one CCAC had received twice as much per capita funding as another: $188 per capita for one versus $90 for the other. There may be valid reasons for such differences, such as a lack of community-supportive housing within the LHIN in some regions, as well as other demographic and geographic factors. However, the extent of the variances indicates significant funding inequities likely continue to exist, and they have had an impact on how equitable access to services is from one region to another, as discussed later in this report.

As noted earlier, our 1998 and 2004 reports recommended that funding be based primarily on a region's assessed client needs, and although some funding for new initiatives has been provided to the CCACs based on needs, base funding is still largely historically based.

New Funding Initiatives

Since our last audit in 2004, there have been a number of new initiatives in funding home care services in Ontario. Although they represent positive steps taken by the Ministry in meeting more specific needs of home care clients, the impact of these initiatives has not yet been significant enough to address the issue of funding inequity across the province. Our review of some of the new initiatives noted the following:

- From 2004/05 to 2009/10, $76 million was provided to CCACs to help reduce wait times for hip and knee replacement surgeries. This funding was to be used to help facilitate patients' early discharge from hospital by providing in-home rehabilitation and support services. It was to cover the costs of additional clients beyond the usual number of clients served in the 2003/04 fiscal year. However, the CCACs we visited that had received the additional funding said they did not know how many additional clients had been served by the funding, because a base number of clients had not been established.
- In each of the 2008/09 and 2009/10 fiscal years, $30 million in additional funding was provided to CCACs to fund an increase in the maximum number of hours of personal support and homemaking services to eligible clients. The funding increase had been brought about by a regulatory change, and was calculated on the basis of the total costs of providing the services to new clients plus the additional costs of providing more hours of care to existing clients. However, the CCACs we visited all indicated that the funds were not sufficient to cover the related costs of the legislative change. Furthermore, the Ministry required CCACs to report only total costs rather than a breakdown by type of client and related costs. Therefore, the way the costs were reported made it difficult for LHINs or the Ministry to assess whether the funding had been sufficient to cover the additional hours resulting from the legislative changes.
- In the 2008/09 fiscal year, the Ministry launched the Aging at Home strategy, a four-year, $1.1 billion health-care initiative designed to allow seniors to live healthy,

independent lives in the comfort and dignity of their own homes. The Ministry based this funding on the new model (HBAM), which does allocate funding largely according to local needs. However, the funding that the 14 CCACs received from this initiative in 2008/09 and 2009/10 totalled only $45 million of the announced $1.1 billion.

The CCACs that we visited acknowledged that funding for new initiatives did provide additional resources, but that sometimes it did not cover the related cost increases, as with the increase of maximum hours of personal support services. Also, funding for new initiatives represented only a small portion of the total funding for home care.

Unless total funding is allocated primarily on the basis of relative local needs, such as is proposed by the new HBAM model, funding inequities across the province will continue to affect the level of services home care clients with similar needs receive in different parts of the province.

RECOMMENDATION 1

To help ensure that people with similar needs living in different areas of the province receive similar levels of home care service, the Ministry of Health and Long-Term Care, in conjunction with the LHINs, should allocate funds to CCACs primarily on the basis of assessed needs of each local community, using, for instance, the proposed Health Based Allocation Model.

RESPONSE FROM COMMUNITY CARE ACCESS CENTRES

We agree in principle and support implementation of a patient-based funding model. It should be noted that both community-assessed needs and the availability of community resources play critical roles in determining appropriate home care service levels.

[illegible]

The Ministry agrees that funds to CCACs should be allocated on the basis of the local community's needs. The Health Based Allocation Model (HBAM) will include both population-based indicators and direct measures of health status to provide a more accurate measure of local health needs. With support from the Ministry, the LHINs could use HBAM to inform their annual incremental funding to CCACs. An important consideration for future goals of HBAM implementation for funding will be to maintain system stability and ensure that access to services is preserved.

DELIVERY OF HOME CARE SERVICES

Case Management Caseloads

Almost all of the direct services—professional, personal support, and homemaking—that home care clients receive are provided by external service providers, while CCAC staff are responsible for overseeing the provision of this care. Figure 2 outlines the general steps involved in the delivery of home care services.

CCAC case managers are responsible for ensuring that the right services are provided to the right clients at the right time. They take referral calls, assess the eligibility of potential clients for home care services, develop service plans, and authorize expenditures for services in accordance with the *Home Care and Community Services Act, 1994*. They also conduct periodic reassessments to determine whether clients should continue to receive home care. Finally, case managers are also responsible for monitoring the adequacy of the services provided, through site visits and handling complaints.

The Ministry's information management system includes data on the total number of case managers within each CCAC. To get a better picture of the caseloads by each type of care at the three CCACs

Figure 2: Overview of CCAC Home Care Services

Source of data: Prepared by the Office of the Auditor General of Ontario

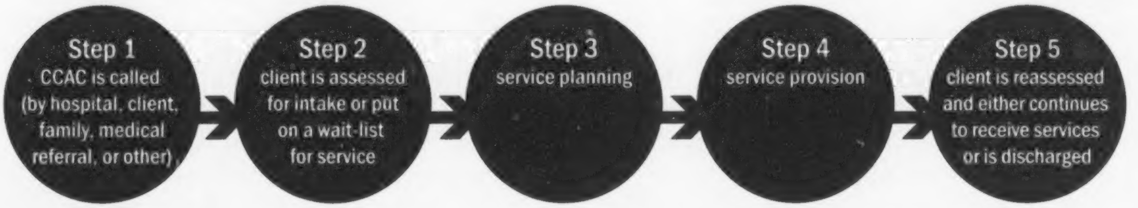

Step 1
CCAC is called (by hospital, client, family, medical referral, or other)
Step 2
client is assessed for intake or put on a wait-list for service
Step 3
service planning
Step 4
service provision
Step 5
client is reassessed and either continues to receive services or is discharged

Figure 3: Number of Cases per Case Manager

Source of data: Community Care Access Centres

Type of Care	CCAC #1	CCAC #2	CCAC #3
acute	199	125	131
adult (community)	125	123	101
palliative/oncology	68	77	49
children's	207	135	256

we visited, we collected data on case managers' caseloads; we found that the number of cases per case manager varied significantly, as noted in Figure 3. Case management accounts for more than 20% of the CCACs' budget, as noted in Figure 1. The combination of caseload size and the types of clients within case managers' caseloads has a significant impact on how effectively they can carry out their responsibilities, yet we found that no standard caseload guidelines had been established for the deployment of CCAC case managers. Such standards would provide useful guidance to CCACs in assigning an optimal workload to each case manager. The risk associated with an uneven caseload is that some clients may either not receive timely services or not receive the right level or quality of service.

Tracking relative caseloads across the 14 CCACs would provide useful data for the LHINs and the Ministry in overseeing the equitable delivery of home care services across the province.

RECOMMENDATION 2

To ensure that case managers are deployed optimally and to encourage equitable service levels across the province, the Ministry of Health and Long-Term Care should work with LHINs and the Ontario Association of Community Care Access Centres to establish case manager–client caseload guidelines.

We agree with this recommendation. Each CCAC should periodically review the assignment of clients to case managers to ensure that it is meeting the needs of the various populations served by CCACs. It should be noted that CCAC clients are not a homogeneous group of people. Their needs vary according to their health status, conditions, and level of risk. Service levels will therefore vary according to client population and community.

The Ministry is exploring new and specialized roles for CCAC case managers through a provincial project—the Integrated Client Care Project—in partnership with several stakeholders. In addition to introducing specialized population-based case management (that is, according to client conditions, acuity, and other factors), the roles of system navigation

and clinical care co-ordination across the health system will be introduced and evaluated as part of the case management role for complex clients. Changes to the case management model will be evaluated to determine their effectiveness and any efficiencies achieved, with a view to creating optimal case management guidelines for future use.

Processing Calls for Services

Requests for home care services can be made by potential clients, family members, medical referrals, or the general public. In the 2009/10 fiscal year, approximately 60% of referrals to CCACs came from hospitals, which includes hospital physician referrals, and the remaining 40% came from the community, for example, family physicians or family members. When a referral is received, an initial "intake" assessment is completed in person or by phone. This enables the CCAC to help determine a client's initial eligibility for its services or referral to other community-based services.

CCACs have been using various tools to perform these intake assessments. However, they have recognized that the use of a standard assessment tool across the province is important for ensuring that individuals with similar needs receive similar levels of service regardless of where they live. CCACs are currently implementing a standard intake assessment tool for all categories of clients, referred to as the Contact Assessment Tool. A full roll-out of the tool is expected to be completed by March 2011 and, according to the three CCACs we visited, it is intended to be mandatory for all 14 CCACs.

Admission to Services or Wait-lists

After a person has undergone an intake assessment and is found to be eligible for and in need of CCAC services, the *Home Care and Community Services Act, 1994* requires that services be provided "within a time that is reasonable in the circumstances." If a service is not immediately available, the client is placed on a wait-list.

In our *2004 Annual Report*, we noted the lack of specific direction or guidance from the Ministry to CCACs on the ranking of clients to receive services and on the management of wait-lists. We found that this was still the case. Each of the CCACs we visited had developed and was using its own approach to prioritizing clients to be admitted to home care services or placed on wait-lists.

Client Care Assessments

People who have been identified as "adult long-stay clients"—those who are to receive CCAC services for at least 60 uninterrupted days—are assessed using a standard tool called the Resident Assessment Instrument – Home Care (RAI–HC). Our work at three CCACs found that all were assessing adult long-stay clients with the RAI–HC tool.

According to the Ministry's client services policy manual, a case manager must complete the RAI–HC assessment within 14 calendar days of the date a client is identified as a long-stay client. These assessments must be conducted in face-to-face interviews and usually take place in clients' homes. This initial assessment leads to the development of a home care service plan. At CCACs that do not have the resources to provide the services, and depending on the client's assessed priority of need, the client may be placed on a wait-list for some services.

We found that adult long-stay clients were, in many cases, not receiving their initial assessments within the required 14 days. We reviewed a sample of client files at each of the CCACs we visited and found that the time elapsed before clients were assessed ranged from four days to as long as 15 months. We also obtained from two of the CCACs visited reports for one month in 2009 of assessments that were to be completed, and found similar delays in completing the initial assessment.

When we asked them about the delays, the CCACs told us that they could have been caused by clients not being available within the required 14-day time frame. However, for some of the cases we followed up, there was no documentation of the reasons for lengthy delays.

In our interviews with case managers, they told us that when clients with urgent needs could not wait 14 days to begin receiving services, the case manager would order home care services based on a phone assessment. Although phone assessments may be an interim solution for a client who needs services ordered immediately, they are not comprehensive enough to ensure that the right services are recommended to a client. It is therefore important that a timely initial assessment be conducted in the client's home.

Wait-lists

Clients are placed on wait-lists because either the CCAC does not have the financial capacity to provide the needed services immediately or there is limited availability of the specialist human resources who provide those services. The CCACs we visited and surveyed indicated that, in most cases, the wait for personal support/homemaking services was caused by CCACs not having enough financial capacity to provide them, while the shortage of therapists was the main reason cited for clients being on the therapy wait-list.

As we have outlined, inequities in funding affect the distribution of resources. At the three CCACs we visited as well as the remaining 11 that we surveyed, we found that some had very high wait-list numbers for certain services while others had none. For instance, one CCAC we visited had 1,400 people waiting for speech language pathologists at the end of March 2010. One of the CCACs we surveyed had more than 1,300 waiting for personal support services, and another had more than 770 waiting for occupational therapy services. Although CCACs had no wait-lists for nursing services at the time of our audit, there were about 10,000 people waiting for other home care services, with average wait times that ranged from eight to 262 days. Three of the 14 CCACs indicated that they were able to meet the needs of their clients and had no wait-lists for any home care services.

Variation in Eligibility for Services

The three CCACs we visited were using different approaches to ranking clients in order of priority to receive certain types of home care services when wait-lists are required. Therefore, a client's eligibility to receive a service could vary from one CCAC to another. For example, with respect to personal support:

- At one CCAC, only those individuals assessed as having high risks/needs (according to the RAI–HC assessment) or above were eligible for personal support services, such as bathing, changing clothes, and assistance with toileting. Clients assessed as having moderate risks/needs or below were deemed ineligible for funded personal support services and were not even added to the wait-list. The CCAC informed us that these individuals were instead referred to community agencies, where they would in some cases have to pay for the services themselves. This was described as a necessary cost-containment measure to achieve a balanced budget.
- The second CCAC placed individuals assessed as having moderate risks/needs or below on the wait-list for personal support services, but did not specify a time period within which the services would be provided.
- The third CCAC also placed individuals assessed as having moderate risks/needs or below on a wait-list for personal support services, and advised them that they would receive services within three months.

Service Start Dates

After completing service plans for their clients, case managers order the necessary services from external service providers. It is the service provider who visits the client's home to provide those services.

Although each CCAC established its own approach to prioritization, there was no standard guideline for determining how soon the first service-provider visits to a client should occur. To determine whether services were provided on a timely basis, we applied the individual guidelines for prioritization of clients and wait-list management used by each of the CCACs we visited and found the following:

- The first CCAC applied four different priority levels and time periods for services to commence, ranging from 24 hours to 21 days. In our assessment of compliance with these guidelines, we found that 15% of clients who were to receive services within 24 hours had not. We noted that one client was to start receiving services within seven days, but the required services did not start until 134 days later. The CCAC could not provide an explanation for this delay. At this same CCAC, about two-thirds of clients did receive their first service visit within the established priority-level time periods.
- At another CCAC, there were three priority levels applied, but a time period within which services should start (a maximum of three months) was only specified for clients in the lowest priority level. Otherwise, the decision was based on each case manager's assessment of his or her client's needs. A review of this CCAC's data showed that the majority of clients generally received their first service visit within a month.
- The third CCAC used RAI–HC scores to help it prioritize clients to start receiving personal support services, because it gave the CCAC at least some form of objective measurement. A review of this CCAC's data showed that most of its clients received services within a month.

Service Levels

After a case manager has conducted an assessment to identify a client's home care needs, he or she draws up a service plan detailing how these needs will be met. Our review of files at the three CCACs we visited found that service plans that detailed the assessed needs of clients were in place. However, the way that service levels were established varied from one CCAC to the next.

In the absence of provincial guidelines for determining what level of home care service was appropriate for needs assessed as low, moderate, and high, each CCAC that we visited had developed its own practices. These varied in the frequency and time they allowed for each service to be performed, resulting in clients with similar conditions possibly receiving different levels of service.

For example, bathing assistance is a common home care service provided by a personal service worker. However, the guidelines for this service varied among the CCACs we visited:

- At one CCAC, the guideline called for service providers to spend 30 to 45 minutes with clients for bathing/tub showers and bathroom clean-up. The frequency of help given with bathing was determined by the client's continence, skin conditions, and other related factors.
- At another CCAC, case managers had specific guidelines to set bathing time depending on the needs of the clients: 5–15 minutes per day for one to seven days for those requiring supervision for safe tub transfer; 15–30 minutes per day for one to seven days for those with frequent incontinence; and 30–60 minutes up to twice a day for those with more serious conditions requiring total assistance for bathing.
- The third CCAC had no specific guidelines for time and frequency of client-bathing.

On our visits to three CCACs, we found that all three regularly monitored the client services they ordered against the available funds to help ensure that a balanced budget was achieved, which could also affect the level of services ordered from providers to meet clients' needs.

Monitoring Home Care Services Provided

To ensure that home care services are provided as planned and meet performance standards, CCACs have formal contracts with service providers that establish measures to assess the adequacy of the services being provided. These include site visits to service providers' premises; reviews of performance data, such as referral acceptance rates, significant event reports, and percentage of missed visits; following up on complaints from home care clients, their families, and the community; and conducting client satisfaction surveys.

Site Visits

All three of the CCACs we visited had conducted ad hoc site visits to some of their service providers. This included visits to follow up on complaints received or issues identified, as well as financial compliance audits for targeted funding. Only one CCAC had commenced routine site visits to audit all 14 of its personal support/homemaking service providers between March 2009 and February 2010. We reviewed the findings from this CCAC's site visits completed at the time of our audit and found that this proactive oversight process had identified a number of common deficiencies:

- Three-quarters of the service providers' processes had limited ability to assess whether their staff had delivered the required services in the client's home in a timely manner.
- Half the service providers reviewed had insufficient processes in place to quickly identify scheduling discrepancies, such as missed or cancelled visits.
- Almost 60% of the service providers had inaccurate or unclear definitions of what constituted a missed visit.
- A third of the service providers did not evaluate personal support workers by actually observing them providing services to clients. This indicated that monitoring the quality of personnel was based entirely on feedback received from clients or their families.

This CCAC also informed us that it planned to conduct site visits to audit nursing service providers in the coming year. Another CCAC indicated that the Ontario Association of Community Care Access Centres is now reviewing the implementation of site visits/audits of service providers.

Performance Data Reviews

Service providers are required to submit performance data to CCACs every quarter. The submissions include referral acceptance rates, percentages of missed visits, and urgent-service-request acceptance rates. Service providers are to provide explanations when they do not meet their targets.

We found that all service-provider quarterly submissions of performance measures were self-reported by service providers. Currently the only performance measure that can be validated through the Client Health and Related Information System (CHRIS) is the referral acceptance rate. We reviewed this measure for a sample of personal support service providers for the second quarter of the 2009/10 year. Our review identified differences at all three CCACs between the CCAC-tracked refusal rate and the service-provider self-reported acceptance rate. For example:

- At one CCAC, a service provider reported that it had rejected about 7% of requests for its services in that quarter; our review of the CCAC's data showed that this provider had rejected 39% of requests for its services in the same period.
- At the second CCAC, a service provider reported that it had rejected only about 2% of requests for its services in that quarter; our review of the CCAC's data showed that the provider had rejected more than 10% of requests for its services in the same period.
- At the third CCAC, a service provider reported that it had accepted 100% of requests for its services in that quarter; our review of the CCAC's data showed that the provider had

rejected 12% of requests for its services in the same period.

Service providers are to provide explanations when targets are not achieved. For the above cases, we did not see evidence of reconciliation of the rates and follow-up of the explanations provided by the service providers. The CCACs informed us that they had discussed these items with the service providers and that these discrepancies could have been caused by the way the data had been reported or by human errors made in data entry. However, they would not be able to determine the actual reasons for the differences without doing a reconciliation of the figures. The CCACs indicated that in the vast majority of situations where one service provider refuses a referral, another service provider provides the services with no impact on the client.

All three CCACs we visited had held meetings with all of their service providers as a group as well as with each type of service provider as a group (for example, all nursing providers) to discuss issues related to each sector.

At each of the three CCACs visited, we found varying practices for meeting with individual service providers to discuss issues. One CCAC had a formal agenda and met with each service provider individually at least twice per year. Another only met with individual service providers to discuss specific issues that arose. The third CCAC had issue-specific meetings and had just initiated quarterly meetings with individual service providers in the third quarter of the 2009/10 fiscal year.

Addressing Complaints

A system for reviewing and monitoring complaints can provide insight into the quality of home care services provided. It is also important for maintaining good relationships with clients, their families, and the community.

Each of the three CCACs we visited had a process in place for reviewing complaints. Two had also hired independent mediators to help with handling complaints.

Our review of a sample of complaints at each CCAC found that most of them had been adequately addressed and responded to within the required 60-day period. Consistent among the three CCACs we visited was the small number of complaints they received compared to the number of individual clients served. For instance, in the first three quarters of the 2009/10 fiscal year, one CCAC reported 157 complaints, which represented approximately three complaints per 1,000 clients served. Another reported 225 complaints, representing approximately five complaints per 1,000 clients served. The other CCAC reported 170 complaints for this time period, representing about eight complaints per 1,000 clients served.

Similarly, the number of complaints received through the Long-term Care Action Line was also small—about 270 calls per year. Since 2003, about 25 cases against CCACs have been heard by the Health Services Appeal Board, with only one of those coming after the CCACs realigned.

However, CCACs told us that some issues brought to case managers by clients or family members or even service providers are not classified as formal complaints. These issues would simply be resolved by the case managers and included in the client files.

At the time of our audit, the three CCACs we visited were using different "events management systems" to capture complaints and other issues. We reviewed the data available for these three CCACs and found the number of reported client "events" was significantly greater than the number of formal complaints. Two CCACs reported more than 1,300 events each for nine months, and the other reported more than 600 events for six months. At all three CCACs, client events that related to missed visits by service providers were the most common. All of the CCACs plan to adopt a province-wide events-management framework, which will standardize terminology and definitions so that comparisons and benchmarking can be done between different CCACs and across the province.

To obtain a complete picture of the areas of concern in home care service, both complaints and events must be reviewed. Yet our discussions with the appropriate LHINs indicated that none of them required CCACs to report on the major areas of complaints or client events to help them assess the overall quality of the services being provided by their CCACs.

Client Satisfaction Surveys

Another means used by CCACs to determine the quality of services provided by external service providers is the conducting of client satisfaction surveys. In the spring of 2009, a group of seven CCACs, including two of the CCACs we visited, began participating in a project to introduce a standard provincial survey to evaluate client and caregiver satisfaction. This initiative is co-ordinated by the Ontario Association of Community Care Access Centres with the goal of implementing the provincial survey across all CCACs. In the first two phases of what will be a four-phase survey, more than 4,700 telephone interviews were conducted by an independent party. The survey was completed with a 37% response rate, and 78% of respondents said they were satisfied that the home care services they received were good or excellent.

The survey measured client and caregiver satisfaction with respect to nine areas: overall experience, client-centred care, appointments, quality of care, building relationships and trust, integrated care and support of transitions, willingness to recommend services to others, expectations of quality, and setting up the home for safety. For the two CCACs we visited that had participated in the survey, one outperformed the provincial average in six of the nine key performance areas and the other scored above average in all nine areas.

The results were analyzed by location, types of services received, ethnicity, and household-type. Considering that different types of clients might have different expectations and different satisfaction levels with the home care services they receive, the survey results could also be analyzed, in future, on the basis of client category (such as acute care, maintenance, long-term support, or rehabilitative care).

Two of the CCACs we visited had also conducted their own surveys to address populations not included in the provincial survey. For example, one CCAC conducted a palliative care survey, to which 90% of palliative clients surveyed in 2009 responded that they were generally satisfied with the services they received.

Another six CCACs that had not participated in the initial phases of the provincial survey were participating at the time of our audit. The remaining CCAC indicated that it intended to participate at a later date.

Client Reassessment for Continued Services

Ministry policy requires home care clients to be reassessed by a case manager at least every six months, or whenever there is a significant change to their medical condition, functional levels, or living circumstances.

Our review of CCAC client files indicated that the six-month reassessment policy was often not followed. Senior managers and case managers at all three of the CCACs that we visited told us that this requirement was not always complied with because of a combination of workload issues and the fact that case managers routinely apply their judgment in timing the reassessments of their clients. Some clients may be reassessed more often than every six months while others may be deemed not to require a regular six-month reassessment.

To determine the extent to which reassessments were not being conducted every six months at each of the CCACs we visited, we reviewed a sample of client files as well as reports of overdue client reassessments for the adult long-stay population. The lengths of time by which the reassessments were overdue as of December 31, 2009, are noted in Figure 4.

Figure 4: Overdue Reassessments for Adult Long-stay Population, as of December 31, 2009 (%)

Source of data: Community Care Access Centres

Overdue by	CCAC #1	CCAC #2	CCAC #3
under 3 months	54	70	47
3-5 months	23	23	25
6 months or more	23	7	28

If reassessments are not performed and documented at least every six months, the CCAC might not be aware of changes to clients' health that would point to a need to increase certain services or enable a reduction of service levels. As well, especially for the frail elderly population, regular reassessments can determine whether the clients should be considered for placement in a long-term-care facility.

Although there might be legitimate reasons to adjust reassessment requirements rather than rigidly adhering to the six-month time frame, CCACs had not developed any guidance or criteria for staff to use in making this decision. As well, the rationale for not conducting the six-month reassessment should be documented in the client's file.

RECOMMENDATION 3

To help ensure that an appropriate and consistent level of service is provided to home care clients, Community Care Access Centres should:

- monitor case manager adherence to the established timelines for both the initial client assessment and the periodic client reassessments and, where such timelines are not met, ensure that case managers document the reasons in the applicable client files;
- enhance external provider oversight to better ensure that the expected and paid-for levels of service are being provided to home care clients; and
- regularly review both client complaints and client events to identify any systemic areas requiring further follow-up.

To promote equitable funding and service levels across the province, the Ministry of Health and Long-Term Care, in partnership with the LHINs, should consider incorporating summary data from the standardized Resident Assessment Instrument to assist in developing a more client-needs-based funding model and to encourage the CCACs to adopt consistent criteria for prioritizing the differing levels of home care services.

RESPONSE FROM COMMUNITY CARE ACCESS CENTRES

We agree that appropriate and equitable levels of services should be provided to home care clients. Specifically:

- CCACs will review the assessment frequencies and set requirements based on research and literature in this area. We agree that all reasons for assessment delays should be documented in the client record.
- CCACs will improve oversight of external providers. Much of the necessary planning for oversight is well underway through established working groups. There will be a formal process for service-provider audits in place in 2011. Also, the Integrated Client Care Project will enhance service-provider accountability and emphasize monitoring of client outcomes.
- CCACs currently take action on and review all client complaints and events. In addition, a provincial Risk Management Framework has been developed and is being implemented across CCACs.

CCACs will work with the Ministry of Health and Long-Term Care to provide any data required in support of patient-based funding models. CCACs will also provide all requested

information to the Ministry/LHINs regarding wait-list and caseload information.

[illegible]

The Ministry agrees that appropriate and consistent levels of service should be provided to home care clients. The Health Based Allocation Model (HBAM) supports equitable funding, because it includes population-based indicators (for example, age, gender, and socio-economic status) and direct measures of health status to provide accurate measure of local health needs.

The Ministry will work with the LHINs and CCACs to obtain caseload information.

Acquisition of Services from Contractors

CCACs rely on external service providers to provide the home care services that their clients need. The majority of CCAC expenditures are for acquiring these services. The three CCACs we visited each spent over 70% of their budgets on purchasing services—such as nursing, personal support, homemaking, physiotherapy, and social work—from external providers. The CCACs we visited told us that they were often not able to obtain the best value from service providers because they were not able to obtain these services at competitive prices.

From 1997 to 2002, CCACs were required to acquire client services, medical supplies, and equipment through a competitive procurement process for amounts greater than $150,000. However, since 2002 the Ministry has suspended the competitive process on three occasions, and it remained suspended at the time of our audit.

CCACs have found it difficult to operate cost-effectively without the opportunity for different service providers to compete—both from a price perspective and a service-level perspective—since the amalgamation and realignment of CCACs to the new LHIN boundaries. This has been especially problematic because with realignment CCACs inherited many different service-provider contracts with differing rates and requirements. Many of the service-provider contracts in effect for the period of our review were entered into before 2004, with some as early as 1999. Each CCAC had developed its own process for renewing contract rates and extending contract requirements.

Among the three CCACs visited, we did find significant variations in rates paid to different service providers for the same types of services. For example, shift nursing services could cost almost twice as much for similar work from one CCAC to another, as shown in Figure 5. We also found different rates paid to the same service provider within a single CCAC and to different service providers within a single CCAC for the same type of service. Finally, we found differences in the rates paid to the same provider for the same types of services depending on which CCAC was paying them. Figure 5 illustrates the percentage differences between the lowest and

Figure 5: Difference between Lowest and Highest Rates Paid for Services (%)

Source of data: Community Care Access Centres

	Among 3 CCACs	Within CCAC #1	Within CCAC #2	Within CCAC #3
[illegible]				
RN visit	52	40	31	32
RPN visit	82	44	31	32
blended RN/RPN visit	52	19	31	32
RN shift	98	60	22	59
RPN shift	69	69	22	59
blended RN/RPN shift	59	5	–	59
Personal Support	56	29	30	54
[illegible]				
occupational therapy	82	43	28	37
physiotherapy	67	25	18	65
speech language pathology	61	45	24	45
dietetics	74	29	32	59
social work	55	43	10	39

highest rates paid for different services both within and among CCACs.

One of the reasons that rates varied significantly was that the current negotiated prices were affected by the original prices that service providers had quoted many years ago, when they submitted bids in response to Requests for Proposals issued by the CCACs.

Some rate variations are caused in part by a fully operational competitive procurement process not having been in effect for some time. CCACs advised us that home care clients have expressed concerns that their individual support workers might change if a competitive procurement process were put back into place. Although the CCACs we visited acknowledged the importance of continuity of care, they indicated that the lack of a competitive process for procuring client services has prevented them from ensuring that those services are provided at the best prices.

While the competitive procurement process was suspended, CCACs had to extend existing contracts with service providers using guidelines that the Ministry had issued. According to those guidelines, the renewals and extensions were to be made within the annual level of funding, and CCACs were to ensure that "fair and reasonable" pricing was obtained for any services they procured.

All three of the CCACs that we visited had successfully renewed their service-provider contracts, basing them on a new standard contract developed in 2007 by the Ontario Association of Community Care Access Centres. However, there is still no standard approach to renewals, and each of the three CCACs we visited went about renewing its contracts differently. For instance, our review of a sample of nursing and personal support contracts at one CCAC found that the rates negotiated in 2008 ranged from a decrease of 3% to an increase of 24% from the previous rates. Another CCAC established a maximum fixed percentage increase for each type of service and negotiated rates up to these maximums. At the same CCAC, we noted that rate requests outside of these parameters were evaluated by an external expert.

RECOMMENDATION 4

To ensure that home care services are procured from external providers in a cost-effective manner, the Ministry of Health and Long-Term Care should work with LHINs and the Ontario Association of Community Care Access Centres to:

- formally evaluate the expected cost savings from allowing CCACs to procure home care services on a competitive basis, keeping in mind the potential impact on clients and service levels; and
- in the meantime, conduct a review of service-provider rates by type of service across Ontario to determine whether the significant rate variations are warranted in relation to the actual cost of providing the service.

[illegible] CARE ACCESS CENTRES

We agree with this recommendation and are prepared to be involved in a formal evaluation of procurement for CCAC services. However, it is important to note that procurement of services first and foremost is to ensure that quality providers are in place to deliver client care. Although the cost of delivering client care is part of the procurement process, 75% of the provider evaluation is based on quality.

The rate variations across CCACs and across the province are a result of past Requests for Proposals (RFPs), where the service provider's price was accepted if that provider had the highest quality score. Prices are not negotiated at the end of the RFP process. Because there has been no RFP process in place for a number of years, CCACs have renegotiated rates at the time of contract renewal.

We caution that the assumption that an RFP process will result in either reduced rates or rate-spreads may not be correct.

The Ministry will work with the LHINs and CCACs to analyze the cost drivers across the province that contribute to variations in home care costs.

As part of the Integrated Client Care Project, the Ministry, CCACs, and service providers are testing alternative payment models that are based on outcomes and that reward innovation. This shift is a new way to look at how to improve and sustain our health-care system through change in care delivery. Alternative payment models will be evaluated to ensure that incentives are driving expected efficiencies in care, increasing innovation and resulting in improved quality of care and equitable service levels.

DATA MANAGEMENT AND ANALYSIS

Various data and information systems are in place to help CCACs, LHINs, and the Ministry monitor and evaluate such things as the cost-effectiveness of services, access to services, client assessments, service-provider billing, and case management, as well as to provide overall program information.

Since our last audit in 2004, the Ontario Association of Community Care Access Centres has developed a Client Health and Related Information System (CHRIS), which standardized and consolidated the four legacy systems the CCACs used prior to their realignment. CHRIS enables collection of detailed client information for intake, eligibility, and assessment tracking as well as planning client care and services, ordering services from providers, and billing. At the time of our current audit, all CCACs except for one had fully implemented CHRIS. In general, the three CCACs we visited gave us positive feedback on CHRIS, saying it contributed to improving the efficiency of their case management work.

Although CHRIS does not provide province-wide summary-level information, this information is available through ministry systems, specifically the Ministry's Management Information System (MIS). This system contains quarterly and year-end financial and statistical information submitted by the CCACs, and the Web Enabled Reporting System (WERS) also generates reports for LHIN and CCAC use to help them identify variances between Accountability Agreement performance requirements and actual performance.

Portions of the data captured within CHRIS are uploaded to the Ministry's information systems, such as MIS. However, when we reconciled a sample of data reports between CHRIS and MIS, we did identify variances that arose from inconsistent data definitions and account classifications.

Although the Ministry is responsible for the performance of the overall health system, we found that it had not conducted regular reviews of the province-wide data to assess cost-effectiveness of the services provided and to identify areas that may require further follow-up. Our review of data from the third quarter of the 2009/10 fiscal year identified significant variances among the CCACs. For instance, the total costs per personal support client served ranged from about $2,200 to $4,000. When we followed up with the CCAC that had the highest costs, it indicated that these costs may have been due to the complexity of the clients it served. Also, the average number of days clients waited for service initiation ranged from one day to 121 days. Our follow-up with the CCAC that had the longest wait indicated that the data may not be correct. Both CCACs indicated that they had not received any inquiries from the Ministry about these figures.

Overall, the CCACs and the Ministry have made good progress in collecting information that meets both their client-service-management needs and performance-oversight responsibilities. However, more attention needs to be paid to ensure the consistency and accuracy of data and the initiation of some oversight mechanism to review the data on a province-wide basis to identify areas that may require further follow-up.

RECOMMENDATION 5

To reap the full benefit of the recent improvements to the case management information system, the Ministry of Health and Long-Term Care, working with the LHINs, should review the summary-level data on a province-wide and regional basis as a means of enhancing its oversight of the home care services currently being provided.

RESPONSE FROM COMMUNITY CARE ACCESS CENTRES

The CCACs value this recommendation as an important step in building consistency across all CCACs, and would be pleased to assist the Ministry of Health and Long-Term Care and the LHINs with the development of summary reports that would be useful and appropriate to their review processes.

[illegible]

The Ministry will work with the LHINs to review summary-level data to enhance oversight of home care services. On an annual basis, the Ministry hosts data quality and education sessions focused on improving the quality of financial and statistical data within the CCAC sector. Issues such as data accuracy, consistency, and outliers are identified and discussed in these sessions. The sessions are open for participation to all CCACs and LHINs. The Ministry also facilitates an advisory working group and client services working groups with the CCACs to discuss issues relating to financial and statistical data. The LHINs oversee all services provided by the CCACs by using data reported through the Community Annual Planning Submission and the Community Analysis Tool.

MEASURING CCAC PERFORMANCE

CCACs are evaluated against 13 standard performance measures included in the Accountability Agreements they each hold with their LHINs. These measures cover financial, operational, and statistical areas. Each measure includes an expected performance target to be achieved. For example, CCACs are to achieve a balanced budget, staff turnover should not exceed a specific target percentage, and the wait time from community referral to assessment date should not exceed a specific number of days. We found that performance targets were established individually between each CCAC and its respective LHIN. In lieu of best practice targets, the LHINs and the CCACs said they were using actual performances from the 2007/08 fiscal year as a base for further analysis to set future targets. Over time, consideration could be given to publicly reporting certain key performance measures.

In addition to the standard Accountability Agreement measures, each LHIN may choose to include measures that reflect local priorities. All three CCACs that we visited were held accountable to the LHINs for additional measures. For example, one had to work with hospitals to reduce the number of patients occupying hospital beds who could be served in the community; another was held to a specific time period for the implementation of CHRIS.

All three CCACs had also developed internal scorecards to measure their organizational performance.

Chapter 3
Section
3.05

Ministry of Health and Long-Term Care

Hospital Emergency Departments

Background

Hospital emergency departments provide medical treatment for a broad spectrum of illnesses and injuries to patients who arrive either in person or by ambulance. In the 2008/09 fiscal year, there were about 5.4 million visits to the province's 160 hospital emergency departments, at a cost of approximately $960 million. The number of emergency-department visits increased about 6% from 2004/05 through 2008/09, while costs increased 28%.

The quality and efficient delivery of patient care in emergency departments depend on a variety of interrelated elements, such as prompt offloading of ambulance patients, quick and accurate triage (that is, the process of prioritizing patients according to the urgency of their illness or injury), nurse and/or physician assessment, diagnostic and laboratory services, consultations with specialists, and treatment. As Figure 1 shows, a patient's length of stay in the emergency department depends on the timeliness of each part of the process, as well as on the ready availability of further care, such as an in-patient hospital bed if the patient needs to be admitted.

Timely and accurate triage in emergency departments is critical to ensure that patients with urgent, life-threatening conditions are treated as quickly as possible. In Ontario emergency departments, triage nurses assess and classify patients based on the Canadian Triage and Acuity Scale (CTAS). CTAS is a five-point scale, with level 1 being the most acute and level 5 the least acute. Figure 2 provides descriptions and examples of patient symptoms and distribution of emergency-department visits, at each CTAS level, showing that "less urgent" and "non-urgent" visits to emergency departments constituted nearly half of all visits in the 2008/09 fiscal year.

Each hospital in Ontario reports to one of 14 Local Health Integration Networks (LHINs), which, under the *Local Health System Integration Act, 2006*, are responsible for prioritizing, planning, and funding certain health-care services. The LHINs, in turn, are accountable to the Ministry of Health and Long-Term Care.

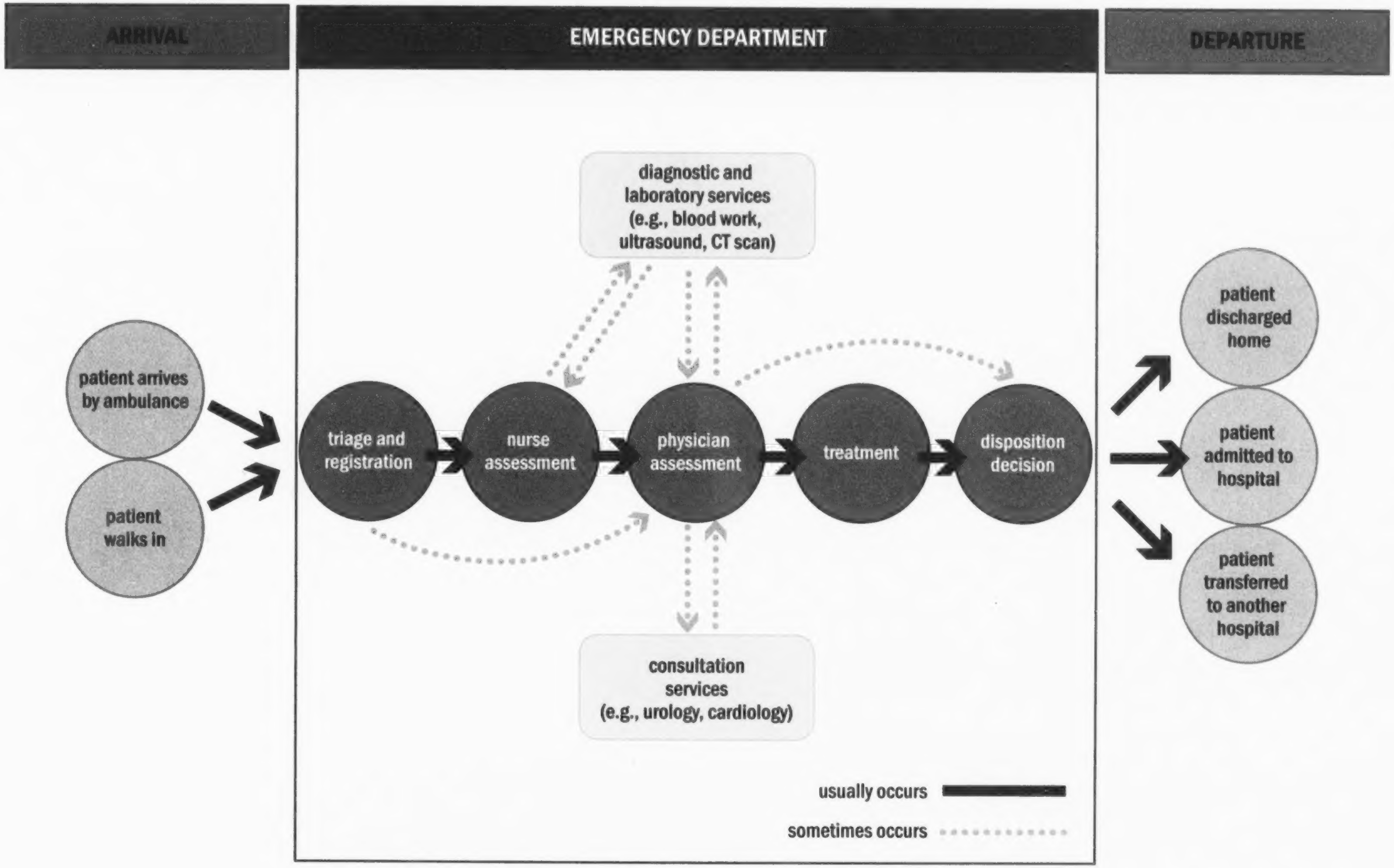
Audit Objective and Scope

The objective of our audit was to assess whether selected emergency departments had adequate systems and procedures in place to ensure that:

- services were managed and co-ordinated efficiently to meet patients' needs;
- services were delivered in compliance with applicable legislation and policies in a cost-effective manner; and

Figure 1: Patient Flow through an Emergency Department

Prepared by the Office of the Auditor General of Ontario


ARRIVAL
EMERGENCY DEPARTMENT
DEPARTURE
patient arrives by ambulance
patient walks in
diagnostic and laboratory services (e.g., blood work, ultrasound, CT scan)
triage and registration
nurse assessment
physician assessment
treatment
disposition decision
consultation services (e.g., urology, cardiology)
patient discharged home
patient admitted to hospital
patient transferred to another hospital
usually occurs
sometimes occurs

- performance was reliably measured and reported.

We conducted our audit work at three hospitals of different sizes that provide services to a variety of communities: Hamilton General Hospital, Scarborough General Hospital, and Southlake Regional Health Centre, located in Newmarket. To obtain additional information from a representative sample of emergency departments across all 14 of the province's LHINs, we sent a survey to 40 hospitals of varying sizes. About two-thirds of these hospitals responded. We also surveyed all 14 ambulance Emergency Medical Services (EMS) providers that had received funding from the Ministry of Health and Long-Term Care (Ministry) specifically targeted to help reduce emergency-department wait times. Ten of these EMS providers responded.

In conducting our audit, we reviewed relevant files and administrative policies and procedures; interviewed appropriate hospital and ministry staff; reviewed relevant research, literature, and best practices in other jurisdictions; and met with representatives from the EMS providers that serve the catchment areas of the three hospitals we visited. We also reviewed information from the Ministry's Wait Time Strategy and interviewed staff from Cancer Care Ontario, which is responsible for managing data on emergency-department wait times. In addition, we engaged on an advisory basis the services of independent consultants with expert knowledge in emergency-department operations.

We did not rely on the Ministry's internal audit service team to reduce the extent of our audit work because it had not recently conducted any audit work on hospital emergency departments.

Summary

Overcrowding and long waits in hospital emergency departments have been common complaints for a number of years. Both impact the quality of patient care.

Figure 2: Canadian Triage and Acuity Scale (CTAS) Levels and Emergency-department Visits, by Level, 2008/09

Source of data: CTAS Implementation Guidelines and Ministry of Health and Long-Term Care

Level	Acuity	Examples of Patient Symptoms	% of Emergency Dept. Visits
1	resuscitation	• cardiac and/or pulmonary arrest • major trauma (severe injury and burns) • unconscious	0.6
2	emergent	• chest pain with cardiac features • stroke • serious infections	12.9
3	urgent	• moderate abdominal pain • moderate trauma (fractures, dislocations) • moderate asthma	39.0
4	less urgent	• constipation with mild pain • ear ache • chronic back pain	39.0
5	non-urgent	• medication request or dressing change • sore throat • minor trauma (sprains, minor lacerations)	8.5

Our work at the three hospitals we visited, as well as the responses from the hospitals we surveyed, indicated that addressing emergency wait times has become a major focus at many Ontario hospitals. The public suspects that the main underlying causes are the inappropriate use of emergency departments by walk-in patients with minor medical ailments, and poor management by hospitals, including understaffing. Although these are contributing factors, our research indicated that the lack of available in-patient beds at the hospitals, requiring admitted patients to be housed in the emergency departments, may well have an even greater impact on overcrowding and long wait times. This lack of available in-patient beds is influenced by two main factors: hospital beds being occupied by patients who are awaiting alternative care in a community-based setting, and less-than-optimal practices by hospitals in managing and freeing up in-patient beds.

The Ministry of Health and Long-Term Care is also well aware of the problem of long wait times in emergency departments and has sponsored expert panels and other initiatives to address this. As well, additional funding of $200 million has been provided over the last two fiscal years ($109 million in 2008/09 and $82 million in 2009/10) to address the wait-time issue. However, significant province-wide progress has not yet been made in reducing emergency-department wait times.

Our visits to the three selected hospitals, survey of other hospitals, and review of literature and best practices also indicated that although hospitals are clearly seized with addressing the wait-time issue, there are steps that hospitals can take to better assess patient needs and improve patient flow.

Some of our most significant observations were as follows:

- Since April 2008, the Ministry has been publishing emergency-department length-of-stay data. At the time of our audit, emergency-department wait times had not yet shown a significant improvement and did not yet meet provincial targets. Although the length of time patients with minor conditions waiting in emergency departments almost met the four-hour target, emergency-department length of stay for patients with more serious conditions could be up to 12 hours, which was still significantly over the eight-hour target. According to a survey published by the Ontario Health Quality Council, in 2007, 47% of the people surveyed in Ontario waited more than two hours for treatment, about the same as the rest of Canada but far more than Australia, the United Kingdom, the United States, and New Zealand and almost five times more than in Germany or the Netherlands.
- The Canadian Triage and Acuity Scale (CTAS) guidelines recommend that patients be triaged within 10 to 15 minutes of arrival at the emergency department, yet in all three hospitals we visited, some patients waited more than an hour to be triaged. We also noted that in about one-half of the files that were reassessed by the hospital nurse educators, the CTAS levels originally assigned by triage nurses were incorrect. Of these, the majority was under-triaged: in other words, triage nurses underestimated the severity of the patient's injury or illness.
- There were inconsistencies between the way EMS paramedics and emergency departments applied the CTAS guidelines, due in part to outdated training for paramedics. The discrepancies in applying the guidelines could impact which hospitals the ambulances should transport their patients to. Paramedics told us that they have been raising this issue with the Ministry for some time.
- The higher the triage acuity level, the sooner nurses and physicians should assess the patient and the sooner treatment should commence. Our review of files at the three hospitals indicated that high-acuity patients sometimes waited for over six hours after triage before being seen by nurses or physicians. The CTAS guidelines recommend maximum wait times before physician assessment. Provincially, actual times to physician assessment did not meet the CTAS-recommended times by a wide margin, especially for high-acuity patients in CTAS levels 2 and 3: only 10% to 15% of the patients in these levels were seen by physicians within the recommended timelines. The CTAS guidelines also prescribe when nurses should reassess a patient's condition, to confirm that there has been no deterioration. We noted that these timelines were often not recorded or adhered to.

- The effectiveness of emergency departments is heavily dependent on other hospital departments and specialists. At the three hospitals we visited, the timeliness of accessing specialist consultations and diagnostic services was having an impact on emergency patient flow. Also, over three-quarters of the hospitals that responded to our survey indicated that limited hours and types of specialists and diagnostic services available on-site were key barriers to efficient patient flow.
- Not being able to move patients requiring admission into beds in an in-patient unit is one of the key causes of delays in treating emergency-department patients. Across the province, from April 2008 to February 2010, time to in-patient bed did not improve significantly. At the time of our audit, emergency-department patients admitted to in-patient units spent on average about 10 hours waiting in emergency departments for in-patient beds, but some waited as long as 26 hours or more. We noted that delays in transferring patients from emergency departments to hospital beds frequently occurred because empty beds had not been identified or hospital rooms cleaned on a timely basis.
- Two of the three hospitals we visited had difficulty finding staff to fill nursing schedules, especially at nights and during weekends and holidays. They often incurred extra costs to pay nurses overtime. We found that a number of emergency-department nurses consistently worked significant amounts of overtime or took extra shifts, not only leading to additional costs but also increasing the risk of staff burnout. In one hospital, one nurse's annual overtime pay accounted for over half of her total earnings for nine consecutive years. For instance, in 2009/10, she earned $157,000, of which $90,000 was overtime pay. At another hospital, one nurse earned $193,000 in 2009/10, due to extra shifts and overtime payments.
- Our review found that paramedics often had to stay in emergency departments for extended periods of time and care for their patients while they waited for an emergency-department bed or until emergency-department nurses could accept the patients. We noted cases where ambulance crews waited up to three hours for their patients to be attended to, resulting in fewer or on occasion no ambulances being available to respond to new emergency calls in the community.
- The opinion of the 2006 expert panel on Improving Access to Emergency Care was that diverting low-acuity patients would only minimally reduce the demand for emergency departments and only minimally impact wait times. However, we noted that, province-wide, about half of emergency-department visits were made by patients with less urgent and non-urgent needs, who could have been supported by other alternatives such as walk-in clinics, family doctors, and urgent care centres. We estimated that such patients took up 30% of emergency-department physician time, which could have been spent on patients with more urgent conditions.

[illegible]

Overall, hospitals generally agreed with our recommendations and felt that they reflected opportunities for improvement while recognizing the pressures and issues faced across the system.

[illegible]

The Ministry is committed to working with the LHINs, hospitals, and others on ways to improve the performance of emergency departments (EDs) across Ontario. Progress has been made, but more work is obviously needed.

The latest available information, from June 2010, indicated that 84% of patients with complex conditions were treated within eight hours, compared to 79% in 2008; length of stay (LOS) dropped by 21.5%, from 14 hours to 11 hours. During the same period, 88% of minor and uncomplicated patients were treated within the four-hour target, compared to 84% in 2008, and LOS dropped by 10.7%, from 4.8 hours to 4.3 hours.

The Ministry has engaged the field, established the targets, and incentivized and monitored performance. It continues to drive improvement through Pay-for-Results (P4R) and the Emergency Department Process Improvement Program (ED PIP). The decision to fund in Year 2 those hospitals that underperformed in Year 1 recognizes that it takes time to improve emergency-department performance; however, the Ministry did recover some funding for underperformance in Year 1. Both P4R and ED PIP have been expanded in the 2010/11 fiscal year, with $100 million in performance funding for 71 emergency departments focused on reducing LOS, improving patient satisfaction, and reducing time to initial assessments.

The Ministry has undertaken numerous activities to strengthen the LHIN model, including conducting quarterly meetings with each LHIN's CEO to review emergency-department performance (reports are posted on the Ministry's website); convening a two-day session in May 2010 with all LHINs and Community Care Access Centres to review Aging at Home investments aimed at relieving pressures on hospitals and long-term-care homes by placing patients in the most appropriate settings (this session resulted in three LHINs undergoing peer reviews and in the issuance of commitment letters that confirmed expectations and targets—failure to meet targets will result in a performance audit); and elevating province-wide performance by mobilizing all LHINs to operate as a cohesive system.

Detailed Audit Observations

ONTARIO'S WAIT TIME STRATEGY FOR EMERGENCY DEPARTMENTS

In April 2008, the Ministry of Health and Long-Term Care (Ministry) announced that reducing emergency-department wait times would be an important priority over the next four years. The Ministry introduced several initiatives and incentives as part of its Wait Time Strategy by investing $109 million in 2008/09 and $82 million in 2009/10 to reduce the amount of time people spend in emergency departments. Two key initiatives were Public Reporting of Emergency Department Wait Times and the Pay-for-Results program.

Public Reporting of Wait Times in Emergency Departments

Our research indicated that outside Ontario, there has not been much public reporting of emergency-department data in Canada. However, the Ontario Health Quality Council published the results of the Commonwealth Fund International Health Policy Surveys in its annual reports in 2008 and 2009. These results provide for some comparison between jurisdictions:

- The 2009 report indicated that about 48% of Ontarians who spent time in emergency departments in 2008 waited for more than two hours, while in the rest of Canada, 39% of people who spent time in emergency departments waited this long.
- The 2008 report showed that Ontarians, like other Canadians, were far more likely to wait more than two hours in emergency departments than people surveyed in other comparable countries. In 2007, almost half of the people surveyed in Ontario waited more than two hours for treatment, about the same as the rest of Canada but far more than Australia, New Zealand, the United Kingdom,

and the United States—and almost five times more than in Germany or the Netherlands (Figure 3).

In April 2008, the Ministry introduced the Emergency Department Reporting System (System) to collect monthly emergency-department data from 128 hospitals. The System is administered for the Ministry by Cancer Care Ontario. In February 2009, the Ministry began publishing emergency-department data, from April 2008 onward, on a public website. As of the time of our audit, the Ministry was releasing the results of what is known as "emergency-department length of stay" (EDLOS), which measures the length of time a patient spends in the emergency department, beginning at the point when the patient sees a triage nurse and ending when the patient leaves the emergency department.

The Ministry has set two targets for the maximum length of time 90% of patients should spend in the emergency department (Figure 4). These targets were developed with the help of clinical experts and provide a goal for emergency departments to achieve. Given the adage that "you can't manage what you can't measure," the Ministry's decision to gather length-of-stay data and report it publicly is a good initiative.

Figure 3: Percentage of Emergency-department Patients in Selected Jurisdictions Who Waited Two Hours or More for Treatment, 2007

Source of data: Annual Report of the Ontario Health Quality Council, 2008

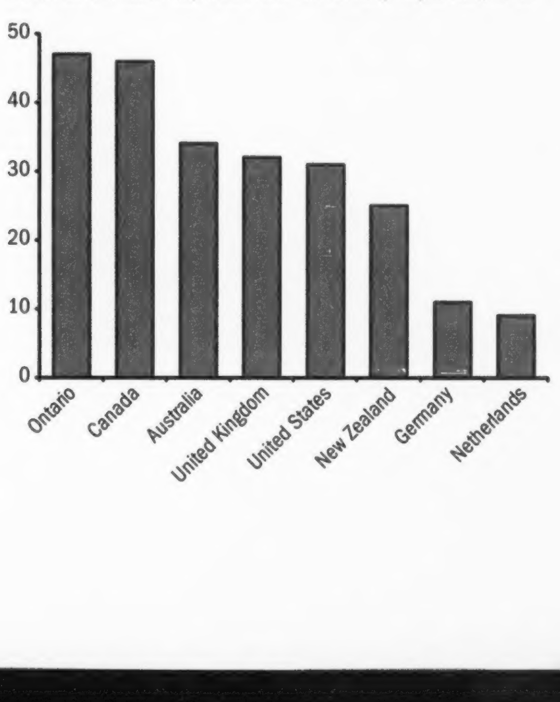


Figure 4: Ontario's Targets for Emergency-department Length of Stay (EDLOS) by Acuity Level

Source of data: Ministry of Health and Long-Term Care

Acuity Level	Description	Target (hours)
high[1]	patients with complex conditions that require more time for treatment, diagnosis, or admission to a hospital bed	8
low[2]	patients with minor or uncomplicated conditions that require less time for treatment, diagnosis, or observation	4

1. High-acuity patients are specifically defined as those at all CTAS levels who have been admitted to an inpatient bed, and patients at CTAS 1, 2, and 3 who have not been admitted to an inpatient bed.
2. Low-acuity patients are specifically defined as patients at CTAS 4 and 5 who have not been admitted to an inpatient bed.

We obtained data from the System and examined EDLOS trends. As Figure 5 indicates, from April 2008 to February 2010, there was no significant reduction in the EDLOS. Specifically:

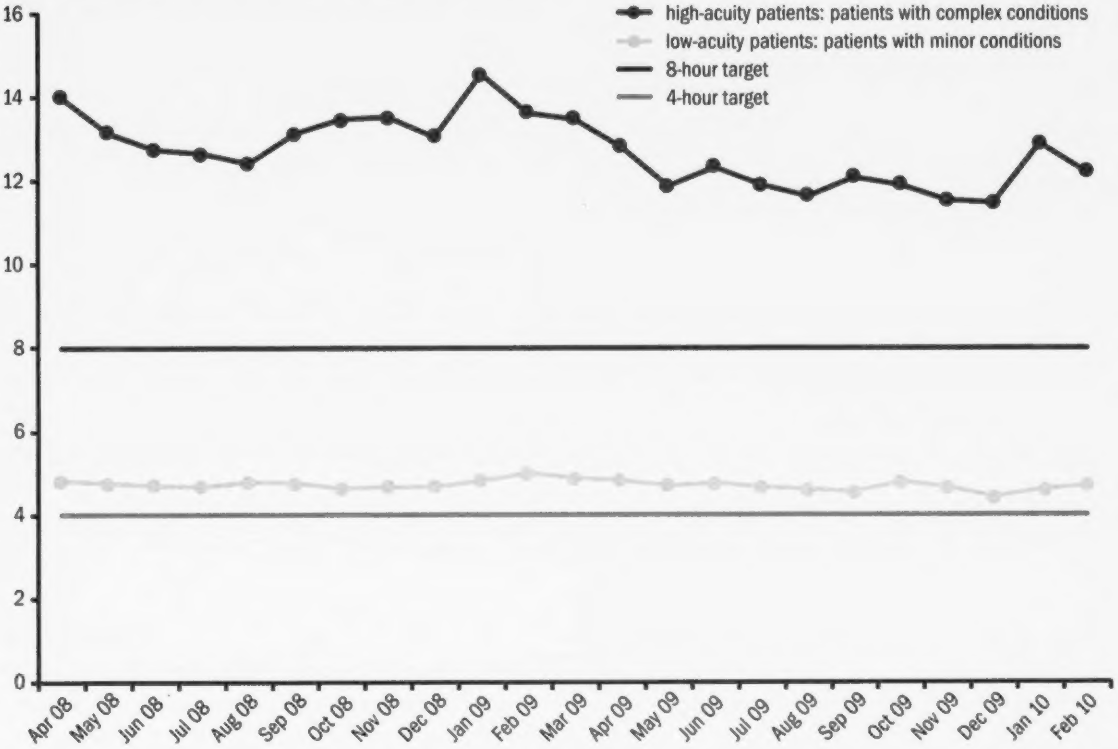
- Ninety percent of patients with complex conditions could spend up to 12.2 hours in emergency departments in February 2010 versus 14 hours in emergency departments in April 2008, well above the target of eight hours.
- Ninety percent of patients with minor conditions could spend up to 4.7 hours in emergency departments in February 2010 versus 4.8 hours in April 2008, which, while showing no real improvement, is relatively close to the target of four hours.

We also noted that the EDLOS varied across the province, especially for patients with complex conditions. None of the LHINs met the eight-hour EDLOS target for high-acuity patients (Figure 6).

We noted a fundamental problem affecting emergency-department wait times for patients with complex conditions who needed to be admitted to hospital: many of these patients were "boarded" in emergency departments because in-patient beds were not available on a timely basis. The problem was partly due to the fact that about

Figure 5: Maximum Emergency-department Length of Stay (EDLOS) in Hours for 90% of High-acuity and Low-acuity Patients, April 2008–February 2010

Source of data: Emergency Department Reporting System, Cancer Care Ontario



17% of in-patient beds were occupied by alternate-level-of-care patients, who no longer required hospital care but could not be discharged because of the lack of services and supports available in the community (see Section 3.02, Discharge of Hospital Patients, in this Annual Report). In recent years, the Ministry has implemented a number of initiatives to deal with the alternate-level-of-care issue by increasing community resources, although the impact has yet to be felt. All three emergency departments we visited and over three-quarters of the emergency departments we surveyed agreed that the alternate-level-of-care issue contributed to lengthy emergency-department waits because patients had to be boarded in the emergency department until an in-patient bed became available.

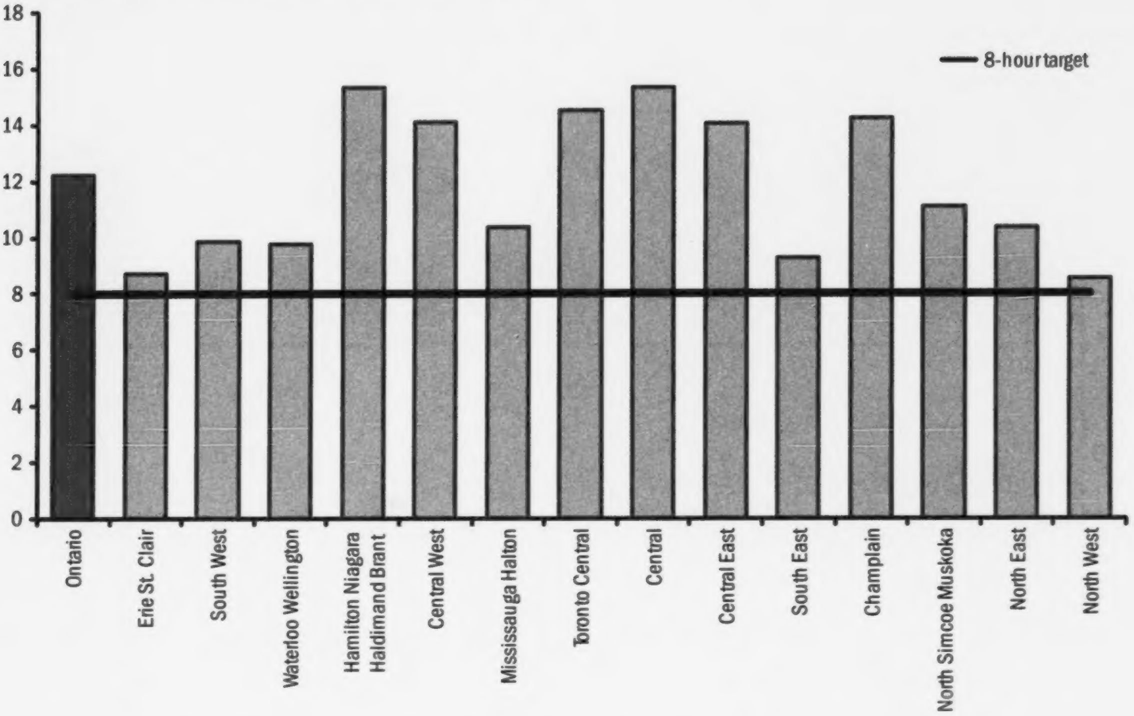
However, the alternate-level-of-care issue is but one factor affecting emergency-department waits; there are multiple factors throughout the hospital system. The solution to lengthy emergency-department wait times is not always the allocation of more resources: the removal of impediments to patient flow, which later sections of this report address, could also help to reduce the EDLOS.

Pay-for-Results Program

Pay-for-Results is an incentive program that provides funding to selected hospitals with high emergency-department volumes and significant emergency-department wait-time pressures. The hospitals were to be rewarded for meeting specific emergency-department wait-time-reduction targets set by the Ministry. The program provided

Figure 6: Maximum Emergency Department Length of Stay (EDLOS) in Hours for 90% of High-acuity Patients by LHIN, February 2010

Source of data: Emergency Department Reporting System, Cancer Care Ontario



$30 million to 23 hospitals in 2008/09 (Year 1) and $55 million to 48 hospitals in 2009/10 (Year 2).

Of the three hospitals we visited, one received funding in both years; the other two received funding only in Year 2. Although the hospitals were pleased that program funding did help relieve their emergency-department wait-time pressure, two of the hospitals we visited indicated that they did not receive the funding until the end of September, which was six months into the fiscal year. Such delays made it difficult for them to use the funding to implement their proposed initiatives in a cost-effective manner by the end of the fiscal year. To illustrate, one of the emergency departments received about $1.4 million in Year 1 funding, but $800,000 remained unspent as of March 31, 2009—the end of Year 1.

This delay in funding affected the effectiveness of the program and the rationale for funding allocations. The Ministry's evaluation of the hospitals' performance in Year 1 showed that the expected results had not been achieved. Specifically, of the 23 hospitals that received Year 1 funding, only three were able to meet the Ministry's targets; 15 showed some improvement but did not meet the targets; and five declined in performance. We noted that all Year 1 hospitals continued to receive funding in Year 2 regardless of their performance in Year 1. In fact, certain hospitals that did not meet the targets in Year 1 received even more funding in Year 2 than they did in Year 1. The worst-performing hospital in Year 1 received the greatest amount in Year 2. Of the three hospitals that met the targets in Year 1, two received less funding in Year 2 than in Year 1. This funding methodology seems somewhat inconsistent with the concept of "paying for results." The Ministry informed us that, although the hospitals' performance in Year 1 was a criterion for determining Year 2 funding allocations, there were other factors that were taken into account, including hospitals' projected growth in emergency-department utilization and wait times for admitted patients.

RECOMMENDATION 1

To ensure that emergency departments are operating in the most effective way to provide high-quality emergency care as quickly as possible to all patients:

- hospitals should identify causes of delays in patient flow and examine ways of reducing wait times in emergency departments accordingly;
- the Ministry of Health and Long-Term Care should work with the LHINs and with hospitals to identify and disseminate best practices from Ontario and other jurisdictions; and
- the Ministry should provide funding to hospitals in a timely manner to enable hospitals to have adequate time to implement the funded initiatives cost-effectively.

[illegible]

The hospitals concurred with this recommendation and expressed support for Pay-for-Results funding and performance improvement strategies. One hospital commented that both efficiency and quality of care are equally important indicators of emergency-department performance.

This hospital also suggested that milestone achievements for Pay-for-Results funding should be based on the hospital's improvement-proposal submission rather than on a fiscal-year basis. They indicated that this would allow hospitals time to fully plan, implement, and demonstrate improvement according to the improvement-proposal time frames.

[illegible]

The Ministry is continuously reviewing and learning from health system experiences in other jurisdictions and across Ontario. A comprehensive environmental scan of best practices, lessons learned, and progress made within and outside Ontario supported the Ministry in creating opportunities for LHINs and health-care providers to share knowledge and disseminate best practices. The Ministry facilitates regular peer exchange forums with the LHINs to share their experiences in achieving successful results. As well, through the ED Process Improvement Program, the Ministry provides:

- training of front-line staff (more than 1,000 since March 2008) and LHIN representatives on process improvement;
- bi-monthly centralized training events at which knowledge and best practices are shared among hospitals; and
- a website, accessible to all hospitals, onto which the Ministry uploads ideas, tools, and best practices.

In Year 2 of the Pay-for-Results program, seven hospitals that exceeded ministry expectations by achieving emergency-department improvements greater than 10% were asked to lead and engage in activities facilitating knowledge transfer and dissemination of best practices.

Regarding the provision of funding in a timely manner, the Ministry will review internal processes to explore possibilities for expediting the flow of funds.

TRIAGE PROCESS

Triage is the process of prioritizing patients according to the urgency of their illness or injury. Triage is critical to effective emergency-department management because it identifies patients with urgent, life-threatening conditions so that resources can be allocated to them as quickly as possible. Upon arrival at emergency departments, patients are seen by a triage nurse, who assesses and classifies them based on the five-point Canadian Triage and Acuity Scale (CTAS), with level 1 being the most acute and level 5 the least acute. The intention of CTAS (which was developed and endorsed by the Canadian Association of Emergency Physicians, the National Emergency Nurses Affiliation of Canada, and l'Association des médecins d'urgence du Québec) is to establish a national standard for triage, improve patient safety, and increase triage reliability, consistency, and validity. Figure 2 provides descriptions and examples of patient symptoms at each CTAS level.

Timeliness of Triage Assessment

According to CTAS guidelines, patients should be triaged within 10 to 15 minutes of arrival at the emergency department. However, at the three hospitals we visited, we noted that triage could often not be undertaken within this time frame. For this reason, patients' length of stay in the emergency department (EDLOS) that is publicly reported has often been understated because it measures only from the time the patient is triaged until he or she leaves the emergency department: it does not include any wait time from arrival to triage. We found that the time from arrival—whether by ambulance or walk-in—until triage occurred could be lengthy.

For ambulance patients, the databases maintained separately by the paramedics and the emergency departments were not integrated to assist analysis of patient data. For instance, they did record the same time that ambulances arrived at the emergency departments so that this could be compared to the time the patient was accepted by the hospital. Our review of a sample of patient files at the three hospitals we visited indicated that the average time from ambulance arrival to triage was about 30 minutes, ranging from a few minutes to over an hour. The paramedics also informed us that the time from arrival until triage and acceptance of the patient by the hospital was often longer than desirable.

It was difficult to accurately capture the time walk-in patients spent between arrival and triage because their arrival times were unknown and the time they spent determining where to go, or waiting to be triaged, went unrecorded. In its Emergency Department Process Improvement Project in 2009, one hospital we visited identified the average time from the walk-in patient's arrival until triage as more than 20 minutes. This delay presented a patient safety issue and caused staff and patient frustration.

To reduce the risk of triage delays, we noted a good practice at two of the hospitals we visited: they performed "pre-triage" on patients who could not be triaged immediately upon arrival. "Pre-triage" was the rapid assessment of patients to determine whether they needed to be seen more quickly. An operational review of one hospital we visited also noted that "quick assessments will facilitate the identification of very ill patients in line awaiting their triage assessment."

Quality or Accuracy of Triage Assessment

Triage nurses assess the urgency of a patient's condition on the basis of a combination of subjective and objective information, including the patient's presenting symptoms and general appearance. Accurate and complete documentation of these details is critical to facilitate "triage audits," which are retrospective reviews of triage records to validate the decisions made by triage nurses. All three hospitals we visited informed us that they performed triage audits to monitor whether patients were triaged accurately based on CTAS guidelines. Each of the hospitals had a nurse educator, who was responsible for keeping up to date on nursing practices, supporting nursing-staff competency, and conducting triage audits. However, we noted that triage audits were not performed on a consistent basis. One hospital had not completed any since

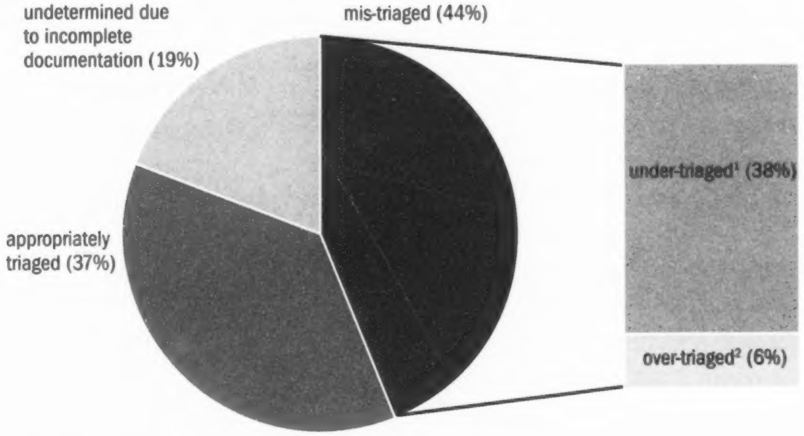
December 2006. Another hospital had stopped conducting them in June 2009 but reinstated them during our audit in February 2010. The third hospital told us that it performed them on a regular basis but was unable to provide any supporting documentation of any triage audits actually done.

To examine the quality of triage at the three hospitals we visited, we selected a sample of triage records at each hospital and asked each hospital's nurse educator to perform triage audits of the sample files. The results of these triage audits indicated that the original CTAS levels assigned by the triage nurses were often different, sometimes significantly so, from the CTAS levels assigned by the nurse educators. Specifically:

- Documentation of patient assessment information, such as vital signs, allergy status, and visual presentation, was lacking for about 20% of the cases (see Figure 7). The nurse educators informed us that visual patient presentation is an essential element of assigning a CTAS level. Documentation of this element is necessary for nurse educators to be able to monitor the quality of triage assessment through triage audits.
- Of the cases where the file documentation was sufficient to enable a triage audit, the nurse educators in all three emergency departments would have assigned different CTAS levels about half the time. As Figure 7 shows, in these cases, the majority were under-triaged (that is, the severity of a patient's illness had been underestimated). In some cases, patients were under-triaged by two levels: rather than being triaged at CTAS 4 (less urgent), they should have been triaged at CTAS 2 (emergent).
- Patients suspected of having a heart attack are supposed to be assigned as CTAS 1 or 2. However, we noted cases where such patients were triaged as CTAS 3 or 4. Our observation was consistent with a study published by the Institute for Clinical Evaluative Sciences in June 2009 that found that heart-attack patients were not prioritized properly in Ontario emergency departments. The report stated that 50% of patients who were ultimately found to be having heart attacks were under-triaged, leading to delays in initiating appropriate treatment.

Figure 7: Results of Triage Audits Conducted at Three Emergency Departments

Prepared by the Office of the Auditor General of Ontario



1. under-triaged – underestimating the severity of a patient's illness or injury
2. over-triaged – overestimating the severity of a patient's illness or injury

Consistency of Triage Assessment by Paramedics and Hospitals

Based on discussions with EMS paramedics and the three hospitals we visited, we noted that there were inconsistencies between how the paramedics and the emergency departments applied the CTAS. In October 2001, the Ministry introduced a program called the Patient Priority System (PPS), under which both paramedics and hospital staff assess patients and communicate with each other using the five-level CTAS. Under PPS, ambulances are required to transport all high-acuity patients (CTAS 1 and 2) to the closest emergency department, with the exception of special services such as for stroke and trauma. However, paramedics informed us that the Canadian Association of Emergency Physicians revised the CTAS guidelines in 2004 and 2008. Hospitals have been using these updated guidelines, but the Ministry has only provided training for the paramedics based on the 2001 version of the guidelines, without the updates, resulting in discrepancies in the application of the CTAS. The paramedics told us that they raised this issue with the Ministry on numerous occasions but have not yet received updated training.

RECOMMENDATION 2

To ensure that triaging is done appropriately and consistently within the recommended time frame:

- hospitals should conduct periodic audits to monitor the quality and accuracy of triage and identify areas for improvements;
- hospitals should consider performing a quick "pre-triage" on patients who cannot be triaged immediately upon arrival at emergency departments;
- the Ministry of Health and Long-Term Care should work with the LHINs and with hospitals to assess whether the reported length of stay at emergency departments should include the time that patients wait for triage; and
- the Ministry should work with the Emergency Medical Services (EMS) to provide updated training for paramedics to ensure that hospitals and paramedics are using consistent triage practices.

[illegible]

The hospitals agreed with this recommendation and supported standardization of triage tools. One hospital also suggested using the National Emergency Nurses Affiliation (NENA) to teach triage and optimize the use of the Canadian Triage and Acuity Scale (CTAS). Another hospital commented that the Ministry should reconvene an expert panel to evaluate CTAS in terms of its reliability and effectiveness and to review other possible tools to predict patient acuity.

[illegible]

The Ministry agrees that the quality of triage is very important. It is the hospital's responsibility to triage accurately and to monitor triage quality. As part of the Emergency Department Process Improvement and Pay-for-Results programs, hospitals have developed strategies for facilitating "pre-triage" to expedite assessment and start the patient's care plan as soon as possible.

The Ministry supports exploring the feasibility and reliability of capturing data starting from the time of arrival of walk-in patients, and will develop an appropriate business case to enable a solution.

The Ministry is working with the Medical Advisory Committee, Regional Base Hospital Programs, and municipal EMS agencies to better align the definitions used in verbal and written communications between pre-hospital and in-hospital staff when describing a patient's medical condition. The Ministry will explore avenues for providing updated training for paramedics.

ASSESSMENT AND TREATMENT

The higher the acuity level, the sooner the patient should be assessed by nurses and physicians and the sooner treatment should commence. CTAS guidelines recommend specific wait times for nurse assessment, physician assessment, and nurse reassessment for each CTAS level (Figure 8). Although these recommended times are "operating objectives" rather than standards, they are patient-focused and are based on the need for timely intervention to improve patient outcomes. In recognition of the fact that these objectives cannot always be achieved without unlimited resources, each CTAS level is given a target percentage, which describes how often the recommended time frame ought to be achieved. For example, the guidelines indicate that a CTAS 3 (urgent) patient should be seen by a physician within 30 minutes 90% of the time. Thus, under the guidelines, it would be reasonable that 10% of CTAS 3 patients are seen by a physician after more than 30 minutes.

Timeliness of Nurse Assessment

None of the three hospitals we visited tracked or monitored the average time from triage to nurse assessment against the time frames recommended in the CTAS guidelines, nor was such data collected in the Emergency Department Reporting System (System). To assess the timeliness of nurse assessment, we reviewed a sample of patient files at the hospitals we visited. Our samples focused on CTAS 2, 3, and 4 patients because they accounted for the largest percentage (90%) of all emergency-department visits. As Figure 9 indicates, average times from triage to nurse assessment varied between hospitals but were well in excess of the recommended time frames. Only one hospital was able to meet the recommended time frame for patients in the CTAS 4 category. There were cases where high-acuity patients (CTAS 2 or 3) had to wait up to six hours for their initial nurse assessment.

Timeliness of Physician Assessment

According to CTAS guidelines, "The primary operational objective of the triage scale is related to the time to see a physician. This is because most decisions about investigation and initiation of treatment do not occur until the physician either sees the patient, or has the preliminary results of other tests needed to recommend a course of action." Although data on times from triage to physician assessment were collected in the System, this information was not released on the public website. To assess the timeliness of physician assessment, we obtained and analyzed province-wide data from the System. The length of time that patients waited for physician assessment did not show any improvement from April 2008, when the System was first

Figure 8: Recommended Times from Triage to Nurse Assessment, Physician Assessment, and Nurse Reassessment by CTAS Level

Source of data: CTAS Implementation Guidelines

CTAS Level	Acuity	Time from Triage to Nurse Assessment	Time from Triage to Physician Assessment	Frequency of Nurse Reassessment	Response Time Target* (%)
1	resuscitation	immediate	immediate	continuous care	98
2	emergent	immediate	≤ 15 minutes	every 15 minutes	95
3	urgent	≤ 30 minutes	≤ 30 minutes	every 30 minutes	90
4	less urgent	≤ 60 minutes	≤ 60 minutes	every 60 minutes	85
5	non-urgent	≤ 120 minutes	≤ 120 minutes	every 120 minutes	80

* The response time target rate is the percentage of times in which the standard can reasonably be expected to be met.

Figure 9: Average Time in Minutes from Triage to Nurse Assessment by CTAS Level on Sample of Patient Files at Three Ontario Hospitals

Prepared by the Office of the Auditor General of Ontario

CTAS Level	Acuity	Recommended Time from Triage to Nurse Assessment*	Hospital (minutes)		
			[redacted]	[redacted]	[redacted]
1	resuscitation	immediate	not tested	not tested	not tested
2	emergent	immediate	79	16	60
3	urgent	≤ 30 minutes	177	46	120
4	less urgent	≤ 60 minutes	167	55	98
5	non-urgent	≤ 120 minutes	not tested	not tested	not tested

* according to CTAS Guidelines

implemented, to the time of our audit in February 2010:

- High-acuity patients with complex conditions spent on average about two hours in emergency departments waiting for physician assessment, and some spent as long as four hours or more.
- Somewhat surprisingly, low-acuity patients with minor conditions spent less time—1.6 hours on average, although some spent as long as three hours or more—in emergency departments waiting for physician assessment.

We also calculated to what extent the average province-wide time to physician assessment met the CTAS guidelines' recommended timelines, according to acuity level, in April 2008 and February 2010. As Figure 10 shows, in both April 2008 and February 2010, the recommended time frames were met at none of the CTAS levels. Only in CTAS 4 was there slight improvement from April 2008 to February 2010; in CTAS 1, 2, 3 and 5, there was actually a decrease in performance against the CTAS guidelines. In February 2010, only 10% of CTAS 2 (emergent) and 15% of CTAS 3 (urgent) patients were seen by physicians within 15 minutes and 30 minutes, respectively, as compared to 95% and 90% recommended by the CTAS guidelines. In contrast, 76% of CTAS 5 (non-urgent) patients were seen by physicians within 120 minutes, which was very close to the 80% recommended by the CTAS guidelines. In summary, although wait times to physician assessment for patients with non-urgent conditions were almost meeting CTAS guidelines, wait times to physician assessment for patients with more serious conditions requiring urgent attention were significantly longer than the recommended time frames.

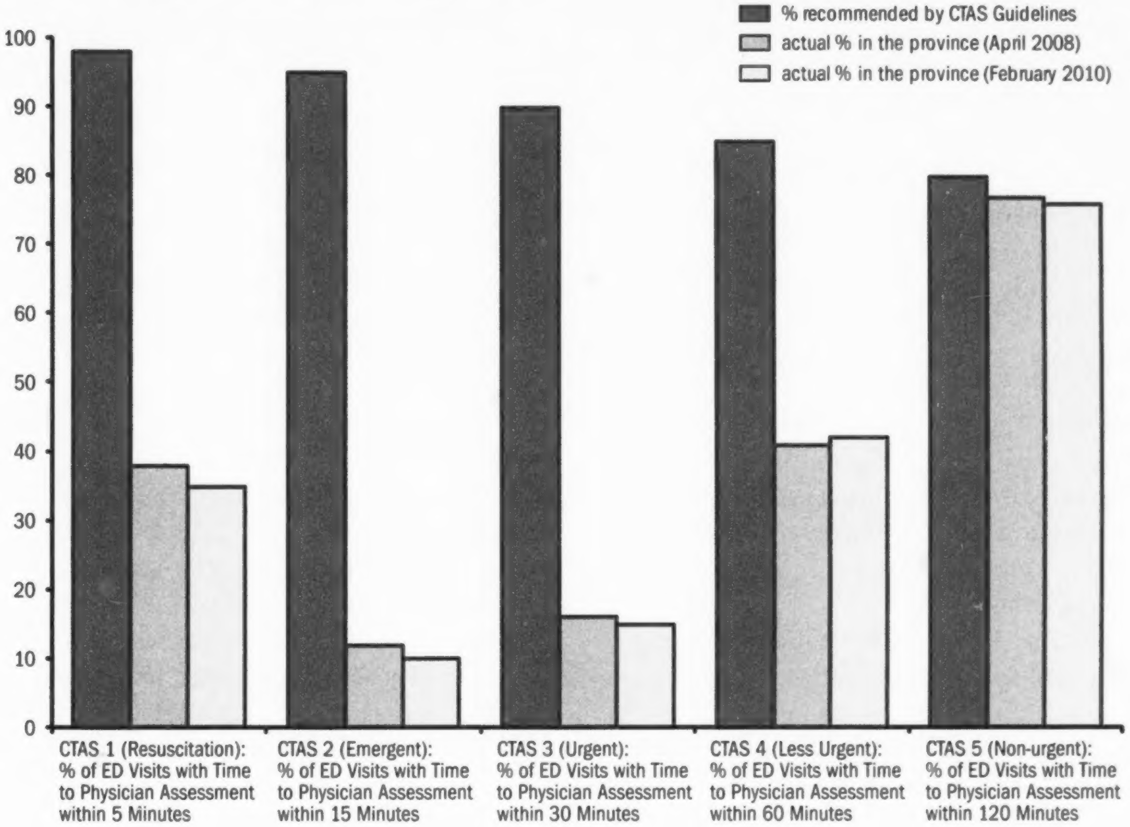
Use of Medical Directives to Improve Timeliness of Assessments

One way hospitals could increase efficiencies and decrease emergency-department wait times is to put greater emphasis on the use of medical directives, which enable nurses to initiate investigations and treatments prior to physician assessment. Medical directives are a set of instructions by physicians to nurses that delegate the authority to carry out certain treatments, interventions, or procedures, such as requisitioning laboratory blood work and applying oxygen. Medical directives are intended to provide more timely, consistent, and appropriate treatment for patients, especially during periods when emergency departments are busy and physicians are not available for immediate assessment and treatment. They are not meant to replace physician attention when it is required immediately. The Ontario Hospital Association strongly advocates the use of medical directives and provides hospitals with implementation kits that include samples and suggestions.

In our audit, we noted that there was no consistent list of medical directives used throughout the

Figure 10: Percentage of Emergency-department Visits with Time-to-Physician Assessment Meeting CTAS Operating Objectives, April 2008 and February 2010

Source of data: Emergency Department Reporting System, Cancer Care Ontario



province. Of the three hospitals we visited and the hospitals we surveyed, some developed and used more directives than others. Many factors influence the implementation and use of medical directives, including physician support of nurses' use of the directives, nurse confidence and willingness to assume responsibility, the amount of education and monitoring needed, and the additional paperwork required.

Two of the three hospitals we visited did not have information on how frequently they used medical directives. The third hospital had established three medical directives, which physicians used to delegate certain decisions to nurses about 30% of the time. Our discussions with hospitals indicated that medical directives were not used as often as might be possible, mainly owing to physicians' concerns about delegating treatment decisions to nurses.

Timeliness of Nurse Reassessment

CTAS guidelines specify not only the recommended time from triage to nurse and physician assessment, but also how frequently a nursing reassessment should occur to confirm that the patient's status has not deteriorated. The guidelines state that "there should be a nursing reassessment on all patients at the time intervals recommended for physician assessment." Thus, CTAS 1 patients should have continuous nursing care, CTAS 2 patients should be reassessed every 15 minutes, CTAS 3 every 30 minutes, CTAS 4 every 60 minutes, and CTAS 5 every 120 minutes. The CTAS guidelines also state that reassessment results should be documented. The importance of reassessment was also recognized by the CTAS National Working Group, which indicated that the focus on time-to-nurse and time-to-physician assessment should shift to the timely reassessment of patients waiting to be seen, to ensure that unavoidable delays do not jeopardize patient care.

The medical director of one hospital we visited indicated on his response to a patient complaint that "it is difficult to assess the quality of care patients are receiving during their waiting period if the reassessments are not recorded." In our review of patient files at the three hospitals we visited, we noted a number of cases where the CTAS-recommended reassessment timelines were not adhered to or there were no records to indicate that patients were reassessed at the recommended time intervals. For example:

- A patient with chest pain was triaged at CTAS 2 and spent three hours waiting for an emergency-department bed, but the patient file did not include any reassessment record during this three-hour wait. Thirty minutes after obtaining an emergency-department bed, the patient experienced cardiac arrest and a doctor was called in to perform cardiopulmonary resuscitation.
- A patient with syncope (loss of consciousness) waited for six hours to be seen by a doctor, but was reassessed only once during this time—about 40 minutes prior to the doctor's arrival.
- A patient with a history of cardiac problems had an electrocardiogram done within 11 minutes of his arrival at the emergency department. He then waited for three hours without being reassessed. Consequently, he decided to leave the hospital, but while he was walking to his car, his condition deteriorated. He immediately walked back to the emergency department and was eventually diagnosed with acute coronary syndrome.
- A number of patients were not followed up on for as long as seven hours following triage. When reassessment attempts were made, the nurses found that many of these patients had already left. Some of them were high-acuity patients at CTAS 2 and 3.

Timeliness of Treatment for Time-sensitive Illnesses

Our discussions with hospital staff and our research indicate that the most common types of time-sensitive life-threatening illnesses being treated at emergency departments are heart attack, stroke, and sepsis (that is, a severe infection spreading through the bloodstream). We reviewed these three areas including patient files at the hospitals we visited, and noted the following:

- An electrocardiogram (ECG) is the most important diagnostic test for heart-attack patients when they arrive at emergency departments. ECG results affect the timeliness of initiating other cardiac procedures, such as angioplasty, which is the technique of widening a narrowed or obstructed blood vessel with a balloon. The Ministry has not established benchmarks for "door-to-ECG" and "door-to-balloon" times, but the three hospitals we visited indicated that the generally accepted benchmarks are 10 minutes and 90 minutes, respectively. Two of the hospitals we visited have cardiac labs that are capable of performing angioplasty. We noted that, in 2009, one of these hospitals met these benchmarks about half of the time; the second, about two-thirds of the time.
- An important factor that contributes to timely and quality stroke care is the rapid assessment of stroke patients in emergency departments. This includes access to a CT scan, which is often the first test scheduled before further treatment can be given. A CT scan of the head must be done before giving medicine to any patient who is having a stroke

caused by a blood clot. One of the hospitals we visited had a dedicated stroke centre. It had an emergency-department stroke protocol that set benchmarks, including "door-to-doctor" time within 10 minutes and "door-to-CT-scan" time within 25 minutes. These benchmarks apply to those patients with stroke symptoms who are eligible to receive medicine to dissolve blood clots. The data provided by this hospital showed that it was able to meet the door-to-CT-scan benchmark about half the time.

- With regard to sepsis, according to a report published by the Canadian Institute for Health Information in 2009, a study of 12 Canadian hospital critical-care units found that the mortality rate for patients with severe sepsis was just over 38%. Recognizing and treating sepsis is a time-critical process. According to an article published by the Society of Critical Care Medicine in 2008, a group of international experts recommended beginning intravenous antibiotics as early as possible and always within the first hour of recognizing sepsis. Lengthy wait times at emergency departments could result in delays in recognizing sepsis and applying antibiotics on a timely basis. All three hospitals we visited agreed that "door-to-antibiotics" time is an important quality measure, but none of them have tracked it. Based on our review of patient files, we noted that door-to-antibiotics time could be very lengthy and varied significantly, ranging from 27 minutes to 10 hours. As well, only one of the three hospitals we visited has developed emergency-department protocols and standardized orders to ensure early identification and treatment of sepsis.

RECOMMENDATION 3

To ensure that patients receive timely assessment and treatment and an appropriate level of care at emergency departments:

- **hospitals should work with the respective LHINs to develop, document, and implement procedures for monitoring and reassessing the status of patients in the time interval between triage and treatment in accordance with their assigned triage level; and**
- **the Ministry of Health and Long-Term Care should encourage hospitals to track critical quality-of-care measures with respect to the most serious time-sensitive illnesses commonly seen in emergency departments and consider the applicability of protocols or best-practice guidelines for those illnesses on a system-wide basis.**

[illegible]

The hospitals agreed with this recommendation. One hospital is currently developing a process-flow map and tool to ensure that patients are reassessed and that their status is monitored from the time of triage to the time of treatment. This hospital has also worked with its LHIN to develop quality-of-care measures, including those for the most serious and time-sensitive illnesses.

[illegible]

Hospitals that receive funding as part of the Pay-for-Results program are already required to ensure that information on quality of care in the emergency department of each designated hospital is reviewed regularly by its Board Quality Committee.

The Ministry also has an established process called "Stocktake" for continuously adding relevant key performance indicators through regular quarterly meetings between the LHINs and the Ministry. Examples of indicators include time to decision to admit or discharge the patient; time to initial assessment by physician, nurse, or other appropriate professional; time to in-patient bed; and percentage of hospital in-patient discharges before 11:00 a.m.

CO-ORDINATION WITH OTHER HOSPITAL DEPARTMENTS

The smooth functioning of any emergency department is highly dependent on good working relationships with other hospital departments. At the three emergency departments we visited, we noted that access to specialists, diagnostic services, and equipment has a direct impact on patient flow within the emergency departments.

Access to Specialist Services

Emergency cases often demand prompt access to specialists in various specialties such as urology and cardiology, who interact with the emergency departments to confirm diagnoses. The key indicator of the timeliness of consultation services is "consult-response time," which measures the time from when the emergency department requests consultation services to the consultant's arrival. The three hospitals we visited and the hospitals we surveyed indicated that long consult-response time can be a significant impediment to efficient patient flow. Specifically:

- Two of the three hospitals were able to provide us with their consult-response times. One emergency department has been tracking this time component since April 2007; the other collected this data in 2009 as part of its Emergency Department Process Improvement Project. We noted that their consult-response times were lengthy, ranging from two hours to almost four hours. At the third hospital, which did not routinely track consult-response times, we reviewed patient files and found that, of those files with consult-response times recorded, the average was about three hours.
- Over three-quarters of the hospitals that responded to our survey indicated that limited hours and types of consultation available on-site were key barriers to patient flow, but most of them did not collect and monitor data on consult-response times.

Access to Diagnostic Services

Emergency departments rely on diagnostic services to assist physicians in performing comprehensive assessments of patients. Prompt requests for and reporting of diagnostic results are important to speed up decision-making, which is crucial for emergency-department patients. The key indicator of the timeliness of diagnostic services is "diagnostic-turnaround time," which measures the time from the emergency department ordering diagnostic tests to the results becoming available. The three hospitals we visited and the hospitals we surveyed indicated the following:

- One hospital we visited identified improving diagnostic-turnaround time as an opportunity to improve patient flow. A time-study this hospital conducted on 30 patients found the average diagnostic-turnaround time was 139 minutes. A closer analysis of this time noted that the actual diagnostic test took, on average, only about 20 minutes; the additional time was due to other factors, including limited hours of service for ultrasound, competing demands for diagnostic services from hospital in-patients and out-patients, delays in transferring patients from the emergency department to the diagnostic-test room, and delays in alerting the emergency department when the test results became available.
- The most common types of diagnostic services ordered by emergency departments are x-rays, ultrasounds, and CT scans. All three hospitals we visited co-ordinated with their diagnostic imaging departments to ensure timely access to emergency-department patients and arranged on-call services for emergency after-hours access. However, access to ultrasounds and CT scans was limited at night and during weekends and holidays. Turnaround times for ultrasounds and CT scans at the three hospitals we visited ranged from 1.5 hours to 2.5 hours. Two hospitals we visited had specific concerns about their access to CT scanners.

One indicated that the CT scanner was not located in close proximity to the emergency department, which affected the timeliness and safe transport of acutely ill patients needing diagnostic tests.

- Over three-quarters of the hospitals that responded to our survey also confirmed that limited hours and types of diagnostic testing available on-site were key barriers to efficient patient flow.

Emergency-department Equipment Management

The three hospitals we visited all acknowledged concerns about the amount of time emergency-department staff spent searching for equipment. We noted the following:

- Emergency-department equipment was often misplaced for various reasons, such as equipment not being returned to its assigned location, emergency-department layout or space constraints, and patients taking portable equipment with them when going to different parts of the hospital.
- Emergency-department equipment for which staff spent the most time searching included ECG machines, ultrasound machines, vital-sign monitors, blood pressure cuffs, and thermometers.

The hospitals we visited had not quantified the actual time spent in searching for equipment and the impact such time away from the bedside had upon patient care. However, a study published by the Ontario Health Quality Council in 2008 confirmed that emergency-department nurses and doctors often spent a significant amount of time searching for equipment.

RECOMMENDATION 4

To better allow hospitals to assess the impact that timely specialist consultation and diagnostic services have on patient care, especially for high-acuity patients, hospitals should track targeted and actual wait times for specialist consultation and diagnostic services for emergency patients, so that the impact of these wait times on providing timely and appropriate patient care can be periodically assessed.

The hospitals agreed with this recommendation. One hospital commented that, although timely access to consultation and diagnostic services was important, the development of new and innovative diagnostic supports would also support overall efficiency and timely access to quality care for emergency-department patients.

The Ministry is continuously reviewing best practices and learning new ways to improve data collection and reporting. The Ministry anticipates that by next year it will have a standardized process for capturing and reporting the time to specialist consultations and the time to diagnostic services.

PATIENT DEPARTURE FROM THE EMERGENCY DEPARTMENT

Access to In-patient Beds for Admitted Emergency-department Patients

"Time-to-in-patient-bed" measures the time from an emergency-department physician deciding to admit the patient to the hospital's in-patient area to the patient's actual departure from the emergency department. Although the System has collected data since April 2008 on the time it takes for an emergency patient to be admitted to an in-patient bed, as of the time of our audit, this information had not been publicly released on the Ministry's website and no provincial target had been established. The Physician Hospital Care Committee—a tripartite committee of the Ministry, the Ontario Medical Association, and the Ontario Hospital Association—recommended in 2006 that "emergency department time to admission" be a performance target "established at one hour."

To assess the timeliness of access to in-patient beds for admitted patients, we obtained data from the System. The most recent data available during our audit showed that, in February 2010, emergency-department patients admitted to in-patient units spent on average about 10 hours waiting in emergency departments for in-patient beds, and some waited as long as 26 hours or more. The average times from admission to in-patient bed did not improve significantly from April 2008 to February 2010, fluctuating from eight hours to 11 hours on a monthly basis. The Canadian Association of Emergency Physicians and the National Emergency Nurses Affiliation have both stated that patients requiring hospital admission should not be held in emergency departments, hallways, or waiting rooms for more than six hours because, for longer durations, these are not safe or humane conditions for sick people.

A monthly survey conducted by the Ontario Hospital Association also indicated that, from November 2008 to October 2009, at any point in time there were about 700 patients across the province waiting in emergency departments, hallways, or other hospital public space for in-patient beds. The three hospitals we visited indicated that getting emergency patients into in-patient beds on a timely basis could have a significant impact on the smooth operation of their emergency departments. For example:

- One hospital received a complaint in 2009 that a cancer patient had waited for three days in the emergency department for an in-patient bed. After investigation, the hospital found that the emergency department had been holding 24 admitted patients during that period, but there were actually 18 empty beds available in various in-patient units. We also noted that on about 60% of all days in 2008 and 2009, there were more than 16 patients waiting for in-patient beds in this hospital, and the majority of them were waiting in the emergency department.
- Another hospital noted that there were too many "admits to no beds"—admissions made when, in fact, in-patient beds were unavailable—leading to increased length of stay and interruption of patient flow through the emergency department. This situation was caused by delays in portering, delays in bed cleaning, and unclear communication from the in-patient units that beds were ready.

We noted that such delays were often caused by lengthy periods of time during which in-patient beds were empty—commonly referred to as "bed-empty time":

- One hospital recognized the importance of this issue and specifically used three systems to track bed-empty time: the housekeeping department's system monitored bed-cleaning times; the emergency-department system tracked patient movement in the emergency department; and the in-patient unit's bed-tracking board monitored bed availability. Although this approach provided useful information, better integration was required to ensure that bed cleaning was initiated soon after a bed became available and that, once the cleaned bed was ready, the next patient was admitted in a timely manner. We found the average bed-empty time in this hospital to be about 5.5 hours.
- The other two hospitals did not monitor the extent of their bed-empty times. One did not have the necessary systems to analyze the entire process; the other had the required systems but had not integrated them. As a result, while they acknowledged this was an issue, they could not identify the specific sources of any delays.
- About two-thirds of the hospitals we surveyed indicated that they did not have the capacity or infrastructure in place to measure the extent of their bed-empty times.

RECOMMENDATION 5

To ensure that vacant in-patient beds are identified, cleaned, and made available on a timely basis to admitted patients waiting in emergency departments:

- hospitals should have an effective process in place to identify vacant beds and communicate their availability between in-patient units and emergency departments; and
- the Ministry of Health and Long-Term Care should work with the LHINs and with hospitals to identify and disseminate best practices that enable hospitals to reduce unnecessarily long stays of admitted patients in emergency departments.

[illegible]

The hospitals concurred with this recommendation. One hospital has begun exploring the use of technology to identify and track the current status for patients and beds, and to allow real-time direct communication across hospital departments. Another hospital commented that using best practices to address the complex issue of ensuring timely access to in-patient beds for emergency-department patients is a top priority of its senior management team.

[illegible]

The Ministry has undertaken numerous activities to facilitate knowledge transfer and timely dissemination of best practices across the system. It is also working closely with the LHINs and hospitals on a range of initiatives to reduce unnecessarily long stays in emergency departments and to ensure that vacant in-patient beds are made available on a timely basis.

The Ministry's Emergency Department Process Improvement Program (ED PIP) trains staff on best practices related to in-patient bed turnover, and supports hospitals in improving patient flow from admission to the emergency department to discharge from an in-patient unit. Improved bed-empty times and admission processes have been identified by more than 80% of ED PIP sites.

The accountability agreement between the Ministry and LHINs includes LHIN-specific targets for three emergency-department wait-time indicators. The Ministry and the LHINs meet quarterly to discuss the performance reports submitted by LHINs, including progress made and challenges encountered in meeting targets.

STAFFING

Appropriate staffing levels are essential to the efficient and effective operation of emergency departments; inadequate staffing can clearly contribute to emergency-department wait times. There are no provincial standards for determining emergency-department staffing requirements. Each emergency department makes staffing decisions based on its patient numbers and average levels of patient acuity.

Emergency-department Nurse Scheduling

Two of the three hospitals we visited had difficulty scheduling staff to fill emergency-department nursing schedules. We reviewed these schedules on a sample of days in the 2008/09 fiscal year and found that one hospital was unable to schedule enough staff each day to fill about 15% of its emergency department's nursing hours. As a result, the emergency-department manager had to call upon other nurses to work extra shifts in order to meet the workload requirement. Management at two of the hospitals we visited told us that scheduling nurses was difficult for emergency departments for a variety of reasons. Nurses tended to stick to their preferred schedules; some were able to negotiate a favourable schedule and only worked certain shifts when they were specifically recruited. All three hospitals had to follow the terms of collective agreements, especially in scheduling staff during holiday seasons.

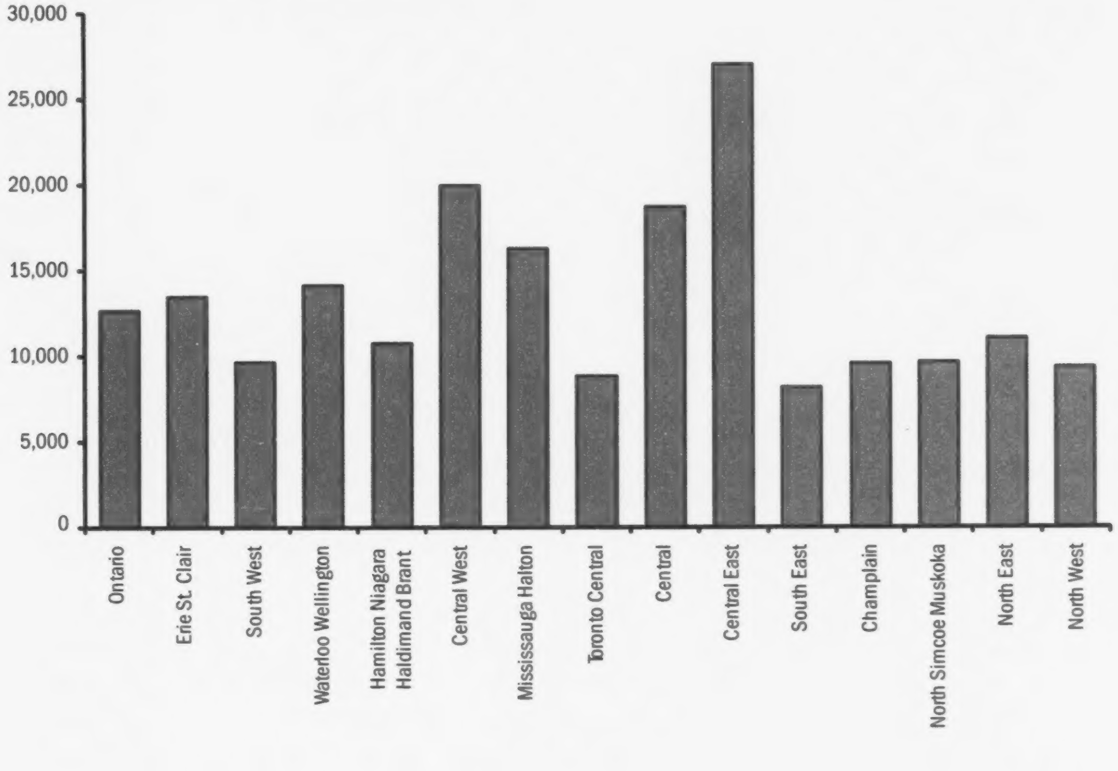
The three hospitals we visited often incurred extra costs by having emergency-department nurses work extra shifts for which they received premium and overtime pay. According to the hospitals' collective agreements with the nurses, such extra pay is to be offered only after all opportunities to pay at regular-time rates have been exhausted. We identified a number of emergency-department nurses whose overtime payments accounted for a significant portion of their total earnings. For example:

- At one hospital we visited, one nurse's annual overtime pay accounted for over half of her total earnings for nine consecutive years. In the 2009/10 fiscal year, her total earnings were $157,000, of which 57% or $90,000 was overtime pay. The hospital's finance department told us that it had informed emergency-department management about this situation over several years, but the issue still had not been resolved.
- At another hospital, one nurse's total earnings in 2009/10 were $193,000, which included payments for extra shifts and overtime. This was almost three times the average salary of nursing staff at that hospital.

The emergency department is a busy, demanding environment in which staff work under considerable pressure. Nurses' consistently working overtime and/or handling extra shifts can lead not only to additional costs for the hospital but also to staff burnout and errors, with an attendant negative impact on the quality of patient care. Although overtime costs cannot be eliminated, hospitals need to adequately oversee this area through regular report-backs on overtime levels and through use of alternative staffing approaches, such as hiring additional staff and using contract nursing staff where permitted under the collective agreements.

Figure 11: Number of People per Emergency-department Physician, by LHIN, 2008

Source of data: Ontario Physician Human Resources Data Centre



Emergency-department Physician Capacity and Distribution

The Ontario Physician Human Resources Data Centre (Centre) maintains a registry of all physicians practising in Ontario. The most recent data show that, in 2008, the province had about 1,000 emergency-department physicians. However, there have been no comprehensive studies to determine the province's current and projected needs for emergency-department physicians. HealthForceOntario—the provincial strategy to ensure that Ontarians have access to the right number and mix of qualified health-care providers—published a report in November 2009, which stated that "to understand what the 'right' capacity is in delivering access and quality of care to residents, a provincial study should be conducted to understand emergency department resourcing and distribution needs across the province."

Data provided by the Centre show that the ratio of emergency-department physicians to population varied among the province's 14 LHINs from 1:8,000 people to 1:27,000 people, indicating the uneven distribution of emergency-department physicians across the province and possible shortages in certain regions (Figure 11).

The uneven distribution of emergency-department physicians has resulted in shortages in certain regions of the province, which has resulted in some emergency departments engaging the services of emergency-department physicians from a staffing agency. Two of the hospitals we visited and about 40% of the emergency departments we surveyed had used agency physicians. The information they provided indicated that:

- Using agency that physicians was expensive. In addition to paying agency physicians for the shifts worked, the emergency departments had to pay various non-clinical fees such as out-of-town travel and accommodation costs, a one-time implementation fee ($5,000 to $7,500), and an administration fee (about $300 per shift).
- The quality of agency physicians varied, and the emergency department had no control over their level of skill and commitment.

An independent study commissioned by the Ministry in 2006 recommended that "hospitals should work as aggressively as possible to eliminate the use of agency physicians in staffing their emergency departments." At the time of our audit, based on information provided by the staffing agency, there were about 20 hospitals still using agency physicians to staff their emergency departments.

RECOMMENDATION 6

To ensure that emergency departments are operating cost-effectively with adequate nurses and physicians:

- hospitals should deal with chronic overtime by setting targets for reducing overtime costs to acceptable levels and implementing effective measures for achieving these targets; and
- the Ministry of Health and Long-Term Care should work with the LHINs and with hospitals to conduct studies to assess the requirements, availability, and regional distribution of emergency physicians across the province in order to develop a sustainable human resources strategy that will ultimately eliminate the use of agency physicians.

[illegible]

For the most part, the hospitals agreed with this recommendation. One hospital commented that the use of contract nursing staff to solve the nurse-scheduling problem was not a feasible and cost-effective long-term solution. Another hospital suggested that a sustainable human resources strategy should include ways to support unexpected increased emergency-department physician coverage needs caused by seasonal closures of other, alternative urgent-health-care facilities.

[illegible]

The Ministry is working with various delivery partners to ensure that emergency departments are operating cost-effectively by applying best practices and lessons learned from others who have experience and demonstrated improvements. These initiatives include:

- the Emergency Department Coverage Demonstration Project, which provides urgent coverage as an interim measure to designated hospitals that are facing significant challenges covering emergency-department shifts;
- the *ED Staffing Reference Guide*, which helps hospital leaders and LHINs understand and access government programs and incentives that may assist emergency departments;
- a two-day Emergency Medicine Primer for Family Physicians, offered by the Ontario College of Family Physicians in collaboration with the Ministry; and
- a Ministry-funded proposal for a "Supplemental Emergency Medicine Experience," a pilot project that would create an intensive program in emergency medicine for family physicians (the Ministry received the proposal in March 2010 and it is under review).

The Auditor's report recognizes that hiring additional nursing staff in emergency departments can reduce overtime costs. The 9000 Nurses Commitment supports the implementation of newly committed, full-time, permanent nursing positions. Movement toward 70% full-time employment may also reduce the burden of overtime costs and promote better continuity of care, leading to improved patient outcomes and a more sustainable workforce.

IMPACT OF EMERGENCY-DEPARTMENT WAIT TIMES ON AMBULANCE EMERGENCY MEDICAL SERVICES (EMS)

In the 2008/09 fiscal year, ambulances delivered about 700,000 patients to emergency departments, accounting for about 13% of all emergency-department visits. Over 80% of them were high-acuity patients in CTAS 1, 2, and 3. Ambulances carrying patients often queued at emergency departments, and could not immediately offload patients due to emergency-department overcrowding or lack of beds. Such delays have significant implications for the Emergency Medical Service (EMS) providers across Ontario. Responsibility for providing land ambulance services rests with the 40 upper-tier municipalities (regions, counties, and cities) and 10 designated delivery agents in remote areas. The Ministry is responsible for setting standards and funding 50% of approved eligible costs of municipal land ambulance services. The balance of funding and actual delivery of service is the responsibility of the municipalities and designated delivery agents.

Offload Delays

Paramedics stay with and continue to care for their patients who have been delivered to the emergency department by ambulance until emergency-department nurses can accept the patient and there is an emergency-department bed available. A delay in transferring a patient's care from the paramedics to the emergency department is known as an "offload delay." Our review of patient files at the three hospitals we visited and information we received from EMS providers indicated that ambulance crews often had to wait for over an hour—and in some cases up to three hours—for their patients to be attended to by the emergency department.

We sent a survey to all 14 EMS providers that received ministry funding for the Offload Nurse Program (discussed in a following section), which was specifically targeted to reduce emergency-department wait times; 10 of them responded. All of them expressed frustration with long offload delays, which diminished available ambulance resources, resulting in fewer or even no ambulances being available to respond to new emergency calls. Most of the respondents complained that offload delays increased EMS providers' operating costs and adversely affected staff morale because the paramedics frequently incurred overtime and were unable to finish their shifts on time. In addition, they commented that offload delays could have implications for quality of patient care because paramedics were being requested to perform procedures outside their skill sets and to render ongoing nursing care until the patient was accepted by the emergency department, during which time there was the increased risk of the patient's condition deteriorating.

Ambulance Offload Time

Delay in offloading ambulance patients is an important indicator of the accessibility and effectiveness of emergency departments. The key performance indicator is "ambulance offload time," which is defined as the time from the arrival of the ambulance until the patient has been removed from the EMS stretcher and care transferred from the paramedic to hospital staff. Ambulance offload times vary throughout the province and are notably longer in urban areas. In 2005, the province established the Hospital Emergency Department and Ambulance Effectiveness Working Group to study emergency services. The group issued a report, which advised that ambulance offload time "must be improved immediately" and recommended the implementation of a benchmark ambulance offload time of 30 minutes, 90% of the time. (In other words, it would be acceptable for the ambulance offload time to exceed 30 minutes 10% of the time). The report also recommended that "hospitals improve their ambulance offload time by 10% per month from baseline until the benchmark is reached." Although the Emergency Department Reporting System (System) has collected ambulance offload times since October 2008, they were not published on the public website or measured against the 30-minute benchmark.

To assess the extent of offload delays, we obtained ambulance offload times from the System to review the trends and regional variations in the province. Ambulance offload times decreased in the first few months after the introduction of the Offload Nurse Program (see next section) in late 2008, but by February 2010 were higher than they had been in October 2008. On average, every month about 20% of patients arriving by ambulance at emergency departments still exceeded the 30-minute benchmark, compared to the 10% target noted earlier.

Our review indicated that ambulance offload times could be understated at some hospitals. The data one of the hospitals we visited had provided to the System indicated that its average ambulance offload time from October 2008 to August 2009 was very short—only eight minutes—yet the data maintained by the EMS provider serving this hospital indicated it to be 82 minutes. We requested raw data from the hospital and recalculated the ambulance offload time, determining that it was actually 33 minutes. The discrepancy between the hospital's ambulance offload time and that of the EMS provider came from two sources. First, the EMS provider informed us that paramedics often did not record ambulance offload times for all ambulance patients, with the compliance rate for this provider being about 60%. Second, hospital staff confirmed that an error had been made in the original data submitted to the System, resulting in the ambulance offload time being understated. Although the offload time of only eight minutes seems significantly low, Cancer Care Ontario, which is responsible for managing the System, did not question these data. It informed us that it has been working closely with EMS providers across the province to improve the quality of data submitted by emergency departments.

Offload Nurse Program

To alleviate offload delays, in May 2008, the Ministry began funding the Offload Nurse Program (Program), intended to improve teamwork and co-ordination between emergency medical services and hospitals. The Ministry provided $4.5 million in 2008/09 and $5 million in 2009/10 to 14 EMS providers in Ontario to reimburse hospitals for the cost of providing offload nurses, who are dedicated solely to assuming care of EMS patients. By taking care of patients when they arrive, the offload nurses are intended to free up ambulances and paramedics to respond to other calls. The 14 selected EMS providers entered into agreements with specific hospitals to purchase the services of offload nurses. Although the offload nurses were employed by the hospitals, the Ministry provided funding directly to the EMS providers rather than the hospitals to ensure that the money was used specifically for offload nurses and not merely to increase overall staffing in emergency departments.

All three hospitals we visited welcomed the additional resources given. However, they indicated that offload nurses provided only short-term relief. In fact, one hospital questioned the effectiveness of having offload nurses. It commented that the Program was not a good use of resources because dedicated offload nurses were not integrated well into the whole system of operating emergency departments. At times when other areas of emergency-department operations had more urgent needs, the hospitals were not allowed to assign offload nurses to those areas: offload nurses could only take care of ambulance patients.

Because the Ministry had not formally evaluated the Program, we contacted all 14 EMS providers that received funding to obtain their feedback; 10 of them responded. In general, they told us that although the additional funding had helped improve offload time, more work will be required to sustain these short-term results. Specifically:

- Most EMS providers acknowledged that the Program reduced ambulance offload times, freed up ambulances, and brought emergency departments and EMS providers together to improve offload delays. However, additional longer-term data would be required to confirm the sustainability of these initial positive results. Although the Program was not intended to solve the overall systemic issue of emergency-department wait times, it did provide a short-term relief. For this Program to have long-term success, the hospitals would concurrently have to make other long-term process improvements to emergency-department flow. Therefore, it would be important for the Ministry, hospitals, and EMS providers to continue to monitor the impact of the Program and other initiatives intended to alleviate emergency-department wait times.
- Some of the EMS providers told us that the Program had limited focus and did not significantly improve ambulance offload times. In certain regions, offload delays continued to increase because of two main problems. First, staffing shortages precluded the offload nurse position being staffed at all times to optimize the Program's benefits. Second, funding and offload nurse coverage hours were far below the levels needed to have any significant impact.

RECOMMENDATION 7

To ensure the efficient use of the ambulance Emergency Medical Services (EMS) and to enhance co-ordination between EMS providers and emergency departments, the Ministry of Health and Long-Term Care should:

- determine whether the recommendation in the 2005 expert panel's report on ambulance effectiveness of a benchmark ambulance offload time of 30 minutes 90% of the time should be accepted as a province-wide target;
- work with hospitals, EMS providers, and Cancer Care Ontario to improve the validity and reliability of ambulance offload data and

to ensure that such data are standardized, consistent, and comparable; and

- work with hospitals and EMS providers to evaluate on a province-wide basis the effectiveness of the Offload Nurse Program in reducing offload delays and improving patient flow within emergency departments.

[illegible]

The hospitals supported initiatives to improve the quality of ambulance offload data across Ontario. They appreciated receiving the support of the Offload Nurse Program to improve ambulance offload time. One hospital indicated that, ideally, the time of the patient's transfer of care needed by the hospital and that of the EMS should be identical.

[illegible]

The Ministry has been providing tools and programs to reduce ambulance offload times since 2008, and continues to do so. Hospitals that receive Pay-for-Results funding are required to submit valid ambulance offload data reports that allow their progress toward the 30-minute ambulance offload standard to be tracked. The Ministry, Cancer Care Ontario, and EMS providers will also continue to work together to improve the validity and reliability of the ambulance offload data.

Although the hospitals audited have not yet seen improvements in ambulance offload times, other hospitals, particularly in the Toronto area, have shown significant improvement. The Ministry continues to work with municipal stakeholders and receives in-year performance reports to ensure that the Offload Nurse Program is effective in reducing ambulance offload delays.

PERFORMANCE MONITORING

Complaint Process and Incident Reporting

Each of the three hospitals we visited had different processes in place to resolve complaints and review serious incidents that occur in their emergency departments. Our audit indicated that:

- All three hospitals have complaint policies or processes that set out the ways of handling complaints and indicate that complaints need to be resolved within two to three weeks. At the time of our audit, one hospital had complaints related to its emergency department that had been outstanding for two months. Another hospital had closed complaint files without issuing a response or taking action; at the time of our audit in March 2010, we noted that there were a number of complaints received as far back as July 2009 that were still open.
- All three hospitals we visited had an incident reporting system or process in place to record events that caused harm to a patient. Our analysis indicated that two of the hospitals had under-reported adverse events that had occurred in their emergency departments. We also noted that critical incidents were often captured not by the incident-reporting systems but through other channels, such as patient complaints and word of mouth. We also noted that, when incidents were reported, there was generally a lack of documentation of the investigation results and any corrective actions taken.

Unscheduled Return Visits to Emergency Departments within 72 hours

Our research indicated that the rate of unscheduled return visits to emergency departments provides a measure of the quality of emergency care. Returning within 72 hours could indicate that the reason for the patient's initial visit was not handled adequately and appropriately. Patients could have received wrong diagnoses during their first visit, or diagnosis was delayed, resulting in their return. The medical directors at all three hospitals we visited informed us that, although they were able to provide data related to return visits, the only return-visit cases they usually reviewed were those where deaths had occurred.

We reviewed patient files related to return-visit cases in the three hospitals we visited and found instances where patients were discharged inappropriately from emergency departments with no proper tests, such as ECGs or blood work, done during their initial visits to emergency departments. Some of those patients who had revisited the emergency departments shortly after being discharged were admitted for emergency surgery or, in a few cases, had even died subsequently. Clearly, medical decisions involve a high degree of judgment, and medical staff will not make the right decision 100% of the time. From the perspective of accountability, oversight, and learning, it is important that return visits, particularly those that result in death, be investigated. However, in virtually all the return-visit cases we reviewed where the patient died and the initial decisions may not have been appropriate, either no formal death review was completed or, if it was, no supporting evidence was available documenting the review. In three of these cases, the emergency department agreed that the patients should not have been discharged on their initial visits and that death reviews should have been conducted. In another case, we were told that, because the discharge was determined to be the wrong decision, a formal review would not provide any additional value.

Our review showed that death review processes varied among hospitals. One hospital did not have a formal process to review all deaths occurring in its emergency department; the emergency department's medical director told us that review results or recommendations were not documented but were shared with physicians verbally. Another hospital had a formal process involving a Death Review Committee. The Committee noted that documentation was a major concern and needed to be improved; it indicated that it was difficult to align the review results with recommendations and to follow up on the recommendations it had made. The third hospital required quarterly reviews of all deaths that occurred in its emergency department and that the results be reported to its Quality and Patient Safety Committee. However, we noted that no such reviews had been done since July 2008.

Patients Who Left without Being Seen or Left against Medical Advice

The rate at which patients leave the emergency department without being seen by physicians or without having completed treatment is a recognized indicator of emergency-department performance and quality. Although there is currently no provincial standard, our research shows that the industry standard rate of patients who leave without being seen or treated is 2% to 3%. At each of the three hospitals we visited, the rate was about 6%, reaching as much as 8% during some months. Patients leave before being seen or completing treatment mainly due to prolonged waiting. According to the Ontario Hospital Association, all hospitals should have a documented process in place to follow up with those patients who leave without being seen or treated. Our review of patient files showed that one of the three emergency departments we visited generally did attempt to follow up with these patients, especially if they left against medical advice. However, at the other two hospitals, there were instances where no follow-up occurred with patients who were triaged as high as CTAS 2 and 3 but who had left the emergency department without being seen or against medical advice.

RECOMMENDATION 8

To ensure that emergency departments are providing high-quality emergency care to all patients, hospitals should:

- promote a culture of patient safety by using a non-punitive and "lesson-learned" approach to ensure that adverse events are reported and summarized for analysis and corrective actions; and
- follow up with patients who have been triaged as having serious medical conditions but who have left emergency departments without being seen by doctors or having completed treatment.

[illegible]

The hospitals generally agreed with this recommendation and acknowledged the importance of incident reviews and reporting as a means of monitoring the quality of patient care. One hospital noted that it has a formal policy and procedures in place to review unexpected deaths. It has a multidisciplinary team that reviews cases and then makes recommendations and specific action plans. Another hospital has launched an on-line incident-reporting tool to track incidents throughout the hospital.

[illegible]

The Ministry supports this recommendation and agrees that reducing the "left without being seen" (LWBS) numbers will contribute to patient safety. The Ministry also believes that research should be conducted to determine the prevalence of adverse events among patients who have left emergency departments without being seen.

In the 2010/11 fiscal year, the Ministry provided dedicated funding as part of the Pay-for-Results program to reduce the wait time to initial assessment by 10%. This indicator is closely correlated with the number of people who have left without being seen; thus, as we reduce the time to initial assessment, we will see a reduction in LWBS numbers.

ALTERNATIVES TO EMERGENCY-DEPARTMENT SERVICES

The opinion of the Physician Hospital Care Committee in its 2006 report on Improving Access to Emergency Care was that diverting low-acuity patients would only minimally reduce demand for emergency departments and only minimally impact wait times. However, we noted that in 2008/09, 2.5 million emergency-department visits—about half of all emergency-department visits in Ontario—were made by patients with less urgent (CTAS 4) and non-urgent needs (CTAS 5), who could have been supported by other medical alternatives, such as walk-in clinics, family doctors, and urgent care centres.

Low-acuity Patients

Although low-acuity patients (CTAS 4 and 5) arriving at emergency departments with minor conditions can usually be treated and discharged quickly, over three-quarters of the emergency departments we surveyed stated that low-acuity patients definitely had a detrimental impact on emergency-department overcrowding and patient flow. We also noted that:

- In July 2009, the *Canadian Journal of Emergency Medicine* published the Predictors of Workload in the Emergency Room (POWER) study, which found that there was marked variation in the amount of time required by emergency-department physicians to assess and treat patients in each CTAS level. (The average time was 73.6 minutes for CTAS 1; 38.9 minutes for CTAS 2; 26.3 minutes for CTAS 3; 15.0 minutes for CTAS 4; and 10.9 minutes for CTAS 5.) Using the results from the POWER study and the volume of emergency-department visits in 2008/09, we estimated that about 30% of all emergency-department physician time was spent on CTAS 4 and 5 patients in Ontario.

- Patients without family doctors or patients who are unable to get in to see their family doctors often end up in emergency departments. We noted that, in 2008/09, of those low-acuity patients (CTAS 4 and 5) who visited emergency departments, about 14% (349,000) had no family doctor. All three hospitals we visited and over 80% of the hospitals we surveyed expressed concern about "people with untimely access to or no family doctors" frequently visiting emergency departments.
- There were many frequent visitors to emergency departments who made at least one visit per month. In 2008/09, about 100 patients made 1,600 visits in total to the three emergency departments we visited. Many of these visits were related to minor symptoms. For example, one patient made 43 visits in 22 months with such non-emergent conditions as back pain, headache, dizziness, or flu-like symptoms. The patient was instructed on several occasions to follow up with the family doctor.
- At one emergency department we visited, we were told that emergency departments are no longer a place for "emergencies " because they are inundated with patients who believe that they can obtain faster access to specialists and lab tests at emergency departments instead of waiting for referrals from family doctors. The manager of the diagnostic imaging department at another hospital also informed us that many patients visit emergency departments simply because they are unable to have their diagnostic tests completed quickly through other channels.

Urgent Care Centres

At the time of our audit, there were 15 urgent care centres in Ontario, established to serve patients who need treatment for illnesses or injuries that cannot wait but that are not life-threatening. Urgent care centres remain open during the day, in the evening, and on weekends to provide diagnosis and such treatments as casts, eye care, stitches, and x-rays. (They do not provide surgery.) Emergency departments and paramedics informed us that urgent care centres have the potential to relieve pressure at emergency departments by reducing the number of low-acuity patients visiting emergency departments. However, the following factors have prevented urgent care centres from functioning as effectively as possible:

- The public has not been educated sufficiently to be able to make the decision whether their condition requires treatment in an emergency department or can be handled appropriately by an urgent care centre. One emergency department informed us that, although there has been a Ministry-sponsored TV advertisement aimed at educating the public on where to seek medical care, much more needs to be done. Another emergency department told us that it is important to provide ongoing education and send clear messages to the public on appropriate use of urgent care centres and emergency departments, because it is often mistakenly believed that urgent care centres are staffed and equipped like emergency departments to provide resuscitation, when, in fact, high-acuity patients need to go to a full-service emergency department.
- EMS paramedics told us that they had transferred a number of patients from urgent care centres to emergency departments when the patients' conditions were such that they should have gone directly to an emergency department. On the other hand, one urgent care centre told us that only about 4% of its patients were transferred to emergency departments for treatment. As well, emergency-department management at one hospital also told us that the transfer rate to emergency departments was less than 5% for most urgent care centres.

RECOMMENDATION 9

To ensure that the needs of patients are met appropriately, the Ministry of Health and Long-Term Care should:

- work with hospitals to conduct further research on the impact of low-acuity patients on emergency services and on what province-wide initiatives can be undertaken to encourage people to seek the right treatment from the right medical provider; and
- assess and promote the availability and public awareness of health-care alternatives to emergency departments on a regional basis, including walk-in clinics, urgent care centres, family physicians, and other community-based supports, to optimize the right care in the right environment.

[illegible]

The hospitals supported this recommendation. One hospital reiterated that seasonal closures of alternatives to emergency departments often put extra pressure on emergency departments. As a result, it was important to have a sustainable human resources strategy for emergency-department physicians that includes opportunities to support seasonal and unexpected physician coverage needs.

[illegible]

In February 2009, the Ministry introduced a website called Your Health Care Options, which lists alternative access points, including walk-in clinics and urgent care centres. The Ministry has implemented extensive TV and media advertising over the past two years aimed at promoting the website and raising public awareness of alternatives to hospital emergency departments. As well, pamphlets have been mailed to primary-care offices for public dissemination.

Additionally, since 2008, the Ministry has funded 14 Nurse-led Outreach Teams, which travel to long-term-care facilities to proactively assess the health-care needs of residents and deliver services in order to reduce emergency-department visits by providing the required care at the long-term-care facility.

The Ministry is also working closely with the LHINs to assess changes in volumes of emergency-department visits by low-acuity patients as well as potential local initiatives to continue to divert these visits to other appropriate care settings, including Family Health Teams.

Chapter 3
Section
3.06

Ministry of Training, Colleges and Universities

Infrastructure Asset Management at Colleges

Background

The Ministry of Training, Colleges and Universities (Ministry) has significant responsibilities for supporting Ontario's publicly funded post-secondary education system. Its mandate includes developing policy directions for universities and colleges and distributing funds allocated for their day-to-day operations, as well as providing capital funds for the upkeep and construction of physical facilities.

Most of the 24 colleges of applied arts and technology were established in the mid-1960s after the province created the publicly funded college system. Currently, students can take full-time and part-time courses at more than 100 college locations across the province. Ontario's 24 colleges are responsible for managing more than 500 infrastructure assets, including buildings and major building components. College buildings are on average 30 years old; their estimated replacement value is at least $5.4 billion.

Because buildings and their components deteriorate over time, it is important to invest sufficient funds in a renewal program to maintain their functionality and value. As well, ongoing renovations or alterations are needed to reflect student program delivery requirements and to ensure that buildings are in compliance with the latest health, safety, environmental, and other requirements. For the past 10 years, the Ministry has provided colleges with facility renewal funding of $13.3 million annually, supplemented by periodic additional allocations for renewals (see Figure 1).

In addition to providing funding to assist colleges in maintaining their current facilities, the Ministry provides capital grants to enhance and expand the physical infrastructure. In recent years, the Ministry provided this funding to build facility capacity to increase the number of students a college could accept.

Figure 1: College Facility Renewal Funding* ($ million)
Source of data: Ministry of Training, Colleges and Universities

	Annual Funding	Non-recurring Funding	Total Renewal Funding
2000/01	13.3	33.3	46.6
2001/02	13.3	–	13.3
2002/03	13.3	–	13.3
2003/04	13.3	–	13.3
2004/05	13.3	66.7	80.0
2005/06	13.3	–	13.3
2006/07	13.3	–	13.3
2007/08	13.3	170.0	183.3
2008/09	13.3	–	13.3
2009/10	13.3	–	13.3
Total	**133.0**	**270.0**	**403.0**

* excludes special-purpose funding for purposes such as equipment renewal

In 2009, the federal government initiated the Knowledge Infrastructure Program (KIP), a two-year infrastructure program for colleges and universities across Canada. At the same time, the 2009 Ontario Budget announced that the province would support infrastructure enhancement at colleges and universities. The joint federal–provincial initiative was introduced as part of a broader stimulus package in response to the global economic slowdown in 2008/09 to increase research capacity, support skilled trades, and provide employment.

The federal and provincial governments together provided capital grants to colleges totalling $300.5 million between the 2006/07 and 2009/10 fiscal years. As of March 31, 2010, the two levels of government had also announced an additional $556 million in capital grants to colleges to be paid out by the end of the 2010/11 fiscal year (see Figure 2).

Audit Objective and Scope

The objective of our audit was to assess whether the Ministry of Training, Colleges and Universities and selected colleges of applied arts and technology had adequate procedures in place to ensure that college infrastructure assets are maintained and renewed economically, effectively, and in accordance with appropriate long-term capital plans.

The scope of our audit work included researching facility infrastructure renewal and replacement practices in other jurisdictions; reviewing and analyzing ministry files, administrative directives, policies, and procedures; and interviewing ministry staff as well as staff at one French-language and four English-language colleges. We visited the following colleges: Algonquin (Ottawa), Confederation (Thunder Bay), George Brown (Toronto), Humber (Toronto), and La Cité (Ottawa). We also contacted six other colleges to obtain their input on specific issues and met with various stakeholders, including Colleges Ontario and the Council of Ontario Universities.

Our audit also included a review of related activities of the Ministry's audit services team. We reviewed the team's recent reports and considered its work and any relevant issues it identified when planning our audit.

Summary

College facilities are a valuable provincial asset and represent a significant taxpayer investment. However, despite the ongoing and periodic one-time capital investments by the Ministry, college facilities continue to deteriorate and the backlog of deferred maintenance is increasing.

Figure 2: College Capital Funding ($ million)

Source of data: Ministry of Training, Colleges and Universities

	2006/07	2007/08	2008/09	2009/10	Total
capital grants (various programs)	24.0	30.2	57.5	50.1	161.8
KIP – provincial[1]	–	6.3	137.8	258.8	402.9
KIP – federal	–	–	–	291.8	291.8
Total Allocated	**24.0**	**36.5**	**195.3**	**600.7**	**856.5**
Total Paid[2]	**24.0**	**36.5**	**82.9**	**157.1**	**300.5**
Outstanding Commitments	**0.0**	**0.0**	[illegible]	**443.6**	**556.0**

1. Some provincially funded programs were approved prior to the inception of the Knowledge Infrastructure Program and have been reclassified as KIP funding.
2. These funds have been paid to the colleges, but as of March 31, 2010, not all the money had been spent.

Although the recent and significant federal–provincial infrastructure funding was welcomed, it was predominantly for new capital projects to create short-term employment and to increase student capacity, which was identified as a long-term provincial priority. While some projects under the federal government's Knowledge Infrastructure Program (KIP) include renovation and modernization components, the program will have little impact on the problem of aging infrastructure. As a result, even with substantial recent investments, the Ministry and colleges will continue to face a host of infrastructure challenges that need to be addressed. Some of our more significant observations were:

- The Ministry is in the process of implementing a long-term capital planning process but did not have a formal plan in place at the time of our audit for overseeing the management of the colleges' infrastructure. Most colleges use the same capital asset management system to help them monitor the condition of their facilities and to guide capital renewal decisions. The Ministry initially funded this system but has not used it to help develop a long-term infrastructure plan or to make objective capital funding decisions. At the end of our fieldwork, we noted that the Ministry was preparing a long-term college infrastructure plan for consideration as part of the government's commitment to introduce a 10-year provincial infrastructure plan in 2011.
- Many colleges have not maintained their asset management systems to facilitate effective capital planning and performance reporting on the condition and use of their capital infrastructure.
- Notwithstanding that some of the information contained in the college asset management system was out of date, it is the best information available on the overall state of the colleges' infrastructure. According to information contained in the system as of April 2010, the deferred maintenance backlog, or the cost to perform needed maintenance and repairs, ranged from $568 million to $745 million and has been increasing annually. System data also indicated that more than $70 million in capital repairs are in the critical category and should be dealt with in the next year.
- The capital asset management system also determines the state of repair of college assets through what is called a facility condition index (FCI), an industry standard that measures the state of each infrastructure asset. As of April 2010, by this standard, half of the college system's infrastructure assets could be classified as being in poor condition.
- According to the (U.S.) Association of Higher Education Facilities Officers (formerly the Association of Physical Plant Administrators of Universities and Colleges), annual capital renewal spending should constitute from 1.5% to 2.5% of the asset replacement cost in order to maintain the asset condition and prevent an increase in the deferred maintenance backlog. Based on this guideline, annual renewal funding to all colleges over the last four fiscal years would have been in the range of $80 million to $135 million. However, actual capital renewal funding has remained at $13.3 million annually for several years; even including the periodic additional funding, which averaged $27 million per year, the total adds up to only half of the calculated recommended amount.
- Administrators at all of the colleges we visited indicated that they had to supplement ministry renewal funds with operating funds to help address their most urgent priorities and manage the risk of assets deteriorating prematurely. They noted that, although the Ministry is not responsible for 100% of their funding, a more sustainable long-term funding approach was necessary if they were to cost-effectively maintain infrastructure assets and prolong the useful life of their facilities.

- After reviewing more than half of the major capital projects approved over the past four years, we found that the Ministry's funding decisions often lacked transparency, and there was insufficient documentation to demonstrate compliance with the eligibility criteria or to indicate on what basis funding decisions were made. The Ministry acknowledged this and had initiated work on developing a more formal capital planning and allocation process—which, the Ministry indicated, had been useful in ensuring that appropriate documentation was in place for the more recent KIP projects.
- With respect to new and renewal capital expenditures at the colleges, we found that there was adequate oversight of the competitive acquisition process and evaluation of supplier proposals to select the successful bidder.

OVERALL RESPONSE OF THE COLLEGES

The colleges generally supported the recommendations made by the Auditor General and felt that they would provide the sector with a solid basis for working closely with the Ministry to develop an implementation plan, strategies, and timelines for addressing these issues. One college articulated that representatives of a broad spectrum of all colleges should participate in the development of clearly identified needs, funding criteria, and province-wide priorities, as well as the development of a long-term planning process using current, reliable information. Another college indicated that it felt the development by the Ministry of a long-term capital planning process that would provide the basis for allocation of capital grants would result in the colleges responding accordingly with the expertise and planning effort necessary to participate in the process.

Detailed Audit Observations

CAPITAL PLANNING

Capital planning is an ongoing process that helps an organization identify current and future capital needs. A sound process involves strategies to address an infrastructure asset's full life cycle, from the design and construction stages through its operation, renewal, preventive maintenance, and disposal. The objective is to improve the overall management of infrastructure assets, including maintaining existing facilities in good repair, identifying and prioritizing future facility needs, modifying current facilities to support service delivery and meet new requirements, estimating related funding needs, and developing appropriate performance measures to assess how effective the process has been.

To help achieve the government's goal of rebuilding Ontario's public infrastructure and improving service delivery, the Ministry of Public Infrastructure Renewal (now the Ministry of Infrastructure) issued, in 2004, *Building a Better Tomorrow*, which is a policy framework for planning, financing, building, and managing public infrastructure.

As a first step in addressing these challenges, all government ministries were to carry out strategic planning and develop both medium-term (three years) and long-term (10 years) infrastructure strategies. As a result, we expected that the Ministry of Training, Colleges and Universities would have developed a long-term capital planning process. In 2007, the Ministry underwent a reorganization that included changes aimed at enhancing its ability to focus on strategic policy and planning, including capital planning for post-secondary institutions. The Ministry recognized that its capital management approach traditionally allocated funding to specific capital projects based on the availability of funds and that it needed a more comprehensive capital planning model focused on demand, capacity, and maintenance of infrastructure assets. In 2008, the Ministry began work on long-term college infrastructure planning in collaboration with the Ministry of Energy and Infrastructure (now the Ministry of Infrastructure). At the completion of our audit in April 2010, the Ministry was still in the process of preparing a college infrastructure capital plan for consideration as part of the government's commitment in the 2010 Ontario Budget to introduce a 10-year provincial infrastructure plan in 2011.

One of the critical components of such a capital plan is reliable information from the colleges to enable the Ministry to compile, assess, and prioritize the colleges' infrastructure requirements and maintenance needs. In June 2008, the Ministry undertook to create a baseline inventory of capital projects and major infrastructure initiatives. It asked each of the colleges to submit proposals for three to five capital projects or initiatives that could be undertaken by the college if funding from the Ministry became available. The Ministry also requested that the colleges provide information on longer-term capital issues, including an assessment of future demand, enrolment projections, and space utilization.

The colleges responded with proposals for 102 projects and initiatives with an estimated $2.3 billion cost. Although this information was to be entered into a database to be periodically updated, we found that, due to changing priorities, the database was never fully utilized. Although some of these projects were subsequently funded under KIP or other programs, the Ministry has not allocated funding to capital projects on the basis of priorities derived from a longer-term strategy.

We also noted that the planning unit was not using other pertinent information that could help it prepare its capital plan. Colleges annually submit their strategic plans, business plans, and annual reports to the Ministry's college branch. These documents contain information on the colleges' delivery of post-secondary education, including planned capital needs. They are stored on a shared computer drive that can be accessed and reviewed by all ministry branches. However, we found no evidence that the planning unit reviewed these documents for details regarding planned capital initiatives.

At the colleges we visited, we noted that many did not have a formal capital plan or asset management plan. According to their administrators, formal capital plans were not developed largely because inconsistent and inadequate funding make such planning problematic. Some colleges also lacked the expertise to properly undertake detailed capital planning.

The administrators also informed us that concerns reported by a ministry consultant reviewing long-term capital planning in 2008 still persisted. These issues included the ad hoc nature of the current capital funding process and a perception that funding was all too often subjectively allocated rather than based on predictable, rigorous, and clear criteria.

The colleges have access to and most use a system-wide capital asset management system that provides a facility-by-facility profile. The system also provides the colleges with capital maintenance information that could be used in their capital renewal decisions. However, although the Ministry initially funded this capital asset management system, the information in the system has not always been kept up to date, so it is difficult to use the system to develop a long-term plan or to make objective capital funding decisions.

RECOMMENDATION 1

To help ensure that capital infrastructure grants are allocated on the basis of clearly identified needs and province-wide priorities, the Ministry of Training, Colleges and Universities needs to continue developing a formal long-term capital planning process using current and reliable information obtained from the colleges and make funding decisions based on more predictable, rigorous, and clear criteria.

[illegible]

The Ministry agrees with the Auditor General on the importance of long-term capital planning and is currently in the process of developing a formal long-term capital planning process.

The long-term planning process work builds on a number of initiatives that have been completed or are under way, as well as the work being done with the Ministry of Infrastructure. These initiatives have included improvements in the collection of information on infrastructure priorities and formal project proposals from colleges and universities undertaken in 2008 and 2010. It is anticipated that this work will better prepare the Ministry to support the development of a provincial 10-year infrastructure plan that was announced in the 2010 Ontario Budget.

FACILITIES RENEWAL AND MAINTENANCE

All college facilities and infrastructure assets suffer from the effects of age, weather, and everyday use. Failure to provide adequate maintenance results in the deterioration of these assets. However, college administrators indicated that, when compared with the publicity given to the construction of a new facility, building maintenance does not get much attention.

Since 1986, the Ministry has provided colleges with ongoing annual renewal funding through its Facilities Renewal Program to assist them in addressing the ongoing need for maintenance, repair, and renovation of existing facilities. Funding from the Ministry is used to pay for expenditures such as repairs to building structures; the upkeep of electrical, heating, and mechanical systems; alterations to improve the condition and efficiency of teaching areas; and the removal of accessibility barriers for persons with disabilities. Aside from periodic additional funding totalling $270 million, the annual facility renewal funding to all 24 colleges for the past 10 years has remained steady at a total of $13.3 million (see Figure 1).

Information on Renewal Needs

In co-operation with the Ministry, the colleges implemented a facilities condition management information system in 2001 to improve the monitoring and reporting of the state of their physical assets. The Ministry incurred the initial $359,000 system start-up cost, after which it expected the colleges to maintain and operate the capital asset database. Currently, the colleges collectively pay about $8,000 annually in licensing and maintenance fees to use the asset management system.

Some of the system capabilities include identifying, tracking, and quantifying deferred maintenance costs; assessing facility conditions through the facility condition index; prioritizing maintenance projects; assisting in the development of capital plans; estimating life-cycle costs; and forecasting the timing and costs of capital renewal projects. If properly updated and maintained, the system could provide excellent information for college facilities staff and the Ministry to help them effectively manage the colleges' capital infrastructure assets. From a provincial perspective, this system could provide the Ministry with an overview of the condition of infrastructure assets at each of the 24 colleges and help in the development of its long-term capital plan. The Ministry could also use the information to make more informed decisions on renewal funding.

However, we found that the data in the asset management system was neither complete nor current. For example, three of the colleges we visited had not entered information for six buildings with an estimated total replacement value of $66.9 million.

The asset management system's usefulness depends on the ability of the colleges and the Ministry to ensure that the database is up to date. To keep the system current, ministry guidelines suggest that a college should assess 20% of its physical infrastructure annually through a comprehensive facility condition inspection. Inspections provide a snapshot of the physical condition of the asset and the repairs needed to maintain or prolong its useful life. We found that most of the colleges we visited had not followed this guideline and, consequently, the asset management system was out of date. We noted instances where database information had not been updated by some colleges for four to seven years.

Periodic facility inspections are important to accurately reflect estimated repair costs and the useful life of an asset. They can also help determine the nature and extent of problems and options for corrective action. Early identification and correction of problems can prevent further building wear and tear as well as potential damage to buildings and their components that is more costly or prohibitive to repair. Based on cost estimates for 2005 (the most recent information available at the time of our audit), a facility condition assessment of a college's infrastructure costs between $75,000 and $150,000, depending on whether it is a new assessment or an update of existing data.

Administrators at the colleges we visited indicated that most colleges lack the human and financial resources to ensure that the required level of detail is input into the system. Although some colleges may have used external consultants to carry out facility assessments, two of the colleges informed us that they find it more cost-effective to use internal staff to update the system, which provides them with sufficient reliable information to manage their facilities.

We also noted a wide variation in how colleges utilized the asset management database. In fact, some did not use it at all. One of the colleges we visited used the system to prioritize deferred maintenance projects and develop a five-year deferred maintenance budget and plan for its renewal projects. We felt that this was a good use of the database and that such information, if provided to the Ministry by all colleges, could help it determine the highest-priority renewal projects and justify directing funds to the most critical areas.

Despite the fact that some of the information is out of date, this database provides the best available condition information for individual colleges and the system as a whole. Such data, if reliably maintained, could be used by the Ministry to help formulate its long-term plans. In our audit of universities' management of facilities in our *2007 Annual Report*, we noted that universities had the same facility condition assessment system, which is used to identify and prioritize asset maintenance requirements. We also noted that the Ministry of Health and Long-Term Care is in the process of implementing the same condition assessment system to better evaluate hospital infrastructure across the province, determine the capital investments that need to be made, and develop appropriate implementation plans. To accomplish this, the Ministry of Health and Long-Term Care paid a service provider $8.6 million to perform facility condition assessments of all hospital facilities to populate the system with current facility information.

Deferred Maintenance Backlog

A college building's useful life is based on its continuing ability to meet current educational and training needs while adhering to building codes and government policies. Since college infrastructure assets deteriorate over time, a building's useful life also depends on the level of ongoing maintenance. Specifically, every building and its components, such as the foundation, roof, plumbing, electrical, heating, and air conditioning, have a life cycle and need to be adequately maintained to achieve or exceed their useful life. Deferred maintenance results primarily from delaying routine and preventive maintenance. Routine upkeep is often deferred during times of financial constraint in order to meet more pressing fiscal requirements.

Although deferring maintenance saves money in the short term, it creates a future liability that could increase over time. Often, delaying routine repairs and upkeep leads to a higher risk of damage to related systems. Delays can also create other problems, including increased costs to correct the deficiencies, safety hazards from faulty components, or the premature—and expensive—replacement of assets. For example, a roof that is not properly maintained can leak and damage ceilings, floors, furniture, and equipment. Furthermore, the effects of neglecting regular upkeep may not be apparent for many years. Once the signs of deterioration become visible, the repair costs are typically far greater than the costs of ongoing preventive maintenance would have been.

A significant feature of the colleges' capital asset management system is its capability to estimate and quantify deferred maintenance costs. Based on the results of the physical facility inspections entered into the system and industry-standard maintenance cost data, it is able to calculate the costs of bringing a particular system or component to a satisfactory state. The results can then be aggregated to generate the deferred maintenance costs for individual buildings, a college's entire building portfolio, and the college system as a whole.

Notwithstanding that some of the information contained in the college asset management system was out of date, based on the information contained in the database as of April 2010, the deferred maintenance backlog for the college system ranged from $568 million to $745 million. The upper end of the range includes renewal costs that the system calculated for infrastructure assets that have reached, or are approaching, the end of their useful lives but may not necessarily need to be replaced. The system has also calculated that capital repairs costing more than $70 million are in the critical category and should be dealt with in the next year. However, as noted above, annual renewal funding for all colleges has been $13.3 million, supplemented by periodic additional funding, which totalled $270 million over the last 10 years.

College facilities are among the province's most valuable assets and represent a significant taxpayer investment. Considering that the average Ontario college building is 30 years old, there is a risk that the deferred maintenance backlog will continue to grow in direct proportion to the shortfall in annual maintenance requirements. The growing backlog of deferred maintenance projects is a key concern among college administrators and facility management staff. The staff we spoke to were concerned that putting off repairs impaired their ability to adequately maintain the structures in the condition required to provide an appropriate learning environment.

Condition of College Facilities

The asset management system generates another fundamental indicator known as the facility condition index (FCI), an industry standard that measures the condition of facilities by considering the cost of deferred maintenance and the value of the building and related components. Specifically, the FCI is the ratio of the cost of fixing all identified deferred maintenance deficiencies to the current replacement value. The higher the ratio, the worse the condition of the asset. The FCI can assist in capital planning decisions, such as determining whether to further invest in a building's renewal or build a new facility. Industry guidelines suggest that an FCI of up to 5% is good, 5% to 10% is fair, and more than 10% is poor. According to data from the college asset management system that were provided to us in April 2010, the FCI for the college system overall was 10.4%, and half of the colleges' infrastructure assets were classified as being in poor condition.

In addition to the $13.3 million a year colleges receive in renewal funding, the Ministry periodically provides additional renewal funding. Administrators at the colleges we visited and the stakeholder groups we met with indicated that, even with these additional funds, there is still a growing backlog of deferred maintenance. For example, at one of the colleges we visited, $5 million was needed to replace a heating, ventilation, and air conditioning system that was beyond its useful life. However, the allocation of renewal funds to this college was just over $900,000 annually. The college would have to rely on other sources or significant one-time ministry funding to replace this system.

The (U.S.) Association of Higher Education Facilities Officers (formerly the Association of Physical Plant Administrators of Universities and Colleges) provides guidelines on capital renewal requirements. It recommends that annual funding should typically range from 1.5% to 2.5% of the asset replacement cost in order to maintain the asset in good condition and prevent an increasing backlog. We noted that a 2009 ministry consultant's report advised the government to provide facilities renewal funds equal to 1.5% of the colleges' $5.4 billion asset replacement value. Although we had concerns that some of the information in the college asset management system was out of date, applying the guideline, college renewal and maintenance expenditures, even without addressing the backlog, would have been in the range of $80 million to $135 million annually. Viewed this way, the $13.3 million allocation in the 2009/10 fiscal year represented significantly less than the recommended annual college renewal funding. Including periodic additional funding that averaged $27 million annually over the last 10 years, college renewal funding has been about half of the recommended minimum.

Space constraints due to increasing student enrolment and the age of buildings highlight the need for significant ongoing facilities renewal investments. The Ministry's 2010/11 fiscal year plans noted that addressing the anticipated post-secondary education demand growth and facilities renewal needs will require significant infrastructure investments across the system.

Although significant funding was provided under the Knowledge Infrastructure Program and the 2009 Ontario Budget, the majority of these funds went to new capital construction. While there was a renewal component in some of the 25 college capital projects funded under the program, such as renovations to increase student capacity, few projects exclusively involved building renewal.

If the current level of renewal funding is maintained over the next 15 years, the colleges' asset management system predicts that the facility condition index for the system as a whole could rise to 15%, well into the poor-condition range.

RECOMMENDATION 2

To preserve the taxpayer's investment in the college infrastructure and maintain these assets in good condition so that colleges can provide an adequate learning environment, the Ministry of Training, Colleges and Universities should continue to work with Ontario colleges to:

- ensure that the asset management information system is regularly and consistently maintained to enable both the Ministry and colleges to make informed decisions based on current, accurate, and complete information; and
- develop strategies, targets, and timelines to address the deferred maintenance backlog.

[illegible]

The Ministry agrees with the Auditor General and is currently exploring options with colleges to improve asset management procedures as part of a 10-year infrastructure plan, as well as strengthening provincial accountability instruments, including space-utilization inventory and monitoring and reporting on facility conditions. Through legislation, regulation, and binding ministerial policy directives, colleges are granted responsibility for the stewardship of their assets.

The Ministry acknowledges the importance of protecting the public investments made in the college sector: significant investments have recently been made to assist Ontario's colleges through the provision of facilities renewal funding, equipment renewal funding, capital funding, and enhanced operating grant support. The Ministry initiated the establishment of the current facilities condition inventory almost a decade ago to improve asset management decision-making, and the Ministry acknowledges that it needs to play a more active role in ensuring that colleges maintain current and reliable data as part of a long-term college capital plan.

MAJOR CAPITAL PROJECT MANAGEMENT

Major Capital Project Selection

Major capital project funding assists colleges in new construction and major renovations to existing facilities. The Ministry provides this funding for projects to build facility capacity and increase the number of student spaces to address government-identified needs in various economic sectors, as well as to provide economic stimulus and promote job creation. An overview of major capital funding since the 2006/07 fiscal year is presented in Figure 2.

We assessed capital project management procedures within the Ontario government and researched other jurisdictions and compared their best practices to our review of college major capital projects. As a result, we determined that adequate project management procedures were generally in place for the federal–provincial Knowledge Infrastructure Program. However, for its own programs, the Ministry made funding decisions through a process that was largely informal and lacked appropriate oversight procedures and adequate documentation to demonstrate that project proposals complied with eligibility criteria, where such criteria existed, or that the projects selected best achieved the Ministry's program objectives. Specifically, we found that:

- For its major capital programs, the Ministry did not have a standard project submission process in place and could not provide us with documentation indicating how projects were evaluated, prioritized, and subsequently approved. However, the Ministry had recognized the need for a more objective capital planning process and had initiated work on a more formal process. The Ministry indicated that this had helped it ensure that for the federal–provincial Knowledge Infrastructure Program, colleges submitted capital funding proposals that were required to comply with formal criteria and were subject to a comprehensive evaluation, ranking, and selection process.
- The Ministry funded between 21% and 98% of a proposed project's total estimated cost. However, it was unable to provide us with any documentation showing how these funding decisions were made.
- Colleges generally did not submit the required audit and progress reports for major capital projects, and the Ministry did not consistently follow up to ensure that all required reports were received. Without proper reporting and sufficient documentation, it is difficult for the Ministry to ensure that the work is progressing on time and within budget, and is ultimately completed in accordance with the Ministry's funding expectations.
- In contrast to the Knowledge Infrastructure Program, where funds were advanced to the colleges as needed, the Ministry often provided much of the approved capital funds to colleges at the start of a project. As a result, funds could remain unspent for significant periods of time until the expenditures were actually incurred. At the colleges we reviewed, we noted that $39 million advanced by the Ministry during the 2007/08 and 2008/09 fiscal years had not been spent as of March 2010. Furthermore, these funds had been unspent for periods ranging from 15 months to 24 months. As required, the colleges we visited accounted for these funds separately by depositing them in investment certificates and restricting their use to approved projects.

Monitoring Capital Projects

The government's corporate management directive for transfer-payment accountability requires that ministries have an oversight process to ensure that recipients (in this case, the colleges) are using the grants and providing the services to achieve the desired result. Appropriate oversight includes administering the capital program, assessing risk, communicating with colleges on a regular basis, monitoring the results for contracted projects, and taking corrective action when necessary. Although the Ministry expects colleges to have appropriate processes in place to ensure that capital funds are used efficiently, effectively, and for the intended purpose, it is ultimately accountable for ensuring that capital funding objectives are met.

Except for projects funded under KIP, we questioned whether the Ministry had sufficient information to determine whether capital funding is being spent for the planned purposes. Formal agreements were generally not in place outlining the Ministry's and colleges' respective responsibilities. With respect to new construction, the Ministry could not demonstrate that it carried out an effective oversight of college activities.

Specifically, colleges were required to complete and submit a monthly expenditure form to help the Ministry determine its remaining financial obligation and to facilitate government reporting requirements. However, after reviewing a number of projects that received approximately $102 million in provincial capital support, we found that two-thirds of these projects did not submit the required monthly expenditure documentation. Yet, we noted that the Ministry generally ensured compliance with a similar monthly reporting process required under the Knowledge Infrastructure Program administered as a co-operative federal–provincial program.

Colleges are required to submit an annual capital project audit statement that is audited by an external auditor. This statement is to outline project progress and to indicate the funds spent on the project to date, the source of all project funding, and that the funds allocated by the Ministry were disbursed in accordance with the project approval. Of the 14 Ministry-funded projects that were required to submit annual audited project statements at the time of our audit, 11 had not done so. Many of these statements had been overdue for two years, and until we raised the issue, no follow-up action had been taken. The Ministry subsequently obtained several of the overdue reports from the 11 colleges.

Similarly, except for projects funded under KIP, the Ministry had not gathered such information for completed projects. These annual statements would be helpful to the Ministry in its oversight role and to help it evaluate the achievement of its overall capital funding objectives, including increasing facility space and/or creating jobs.

The Ministry is responsible for overseeing the capital funding provided to colleges under the Knowledge Infrastructure Program. Furthermore, under this program, construction work must be substantially completed by March 31, 2011. If the projects are not completed by that date, the colleges will be financially responsible for completion. From our review of this program, we noted that as of March 31, 2010, only 24% of the $695 million KIP commitment had been spent. Because the federal funding is conditional on the projects being completed by March 31, 2011, the financial burden for incomplete work may become the responsibility of the province. Therefore, it is important for the Ministry to have adequate oversight procedures in place to ensure that these projects meet the substantial-completion requirement.

College Purchasing Policies and Procedures

At the colleges we visited, we found that policies and procedures were in place to monitor renewal expenditures and the construction or modification of facilities. From our review and discussion with college staff, we found appropriate policies for a competitive acquisition process and an evaluation of supplier proposals to select the successful bidder. Where a college did not have the internal expertise to manage a major capital construction project, we noted that it hired an external project management consultant.

RECOMMENDATION 3

To help ensure that new construction and major renovations efficiently and cost-effectively achieve both college capacity goals and ministry economic objectives, the Ministry of Training, Colleges and Universities should:

- implement fair and transparent procedures, similar to those developed for the Knowledge Infrastructure Program, for its project proposal, evaluation, and selection process;
- enter into an agreement with each college to indicate the Ministry's and college's respective responsibilities for completing the project and the necessary reporting requirements;
- advance funds to colleges as the work progresses; and
- maintain adequate documentation throughout the process to demonstrate that the program is transparent, fair, and achieves value for money, as well as college and ministry objectives.

[illegible]

The Ministry recognizes the importance of objective and transparent procedures for project proposal, evaluation, and selection. Consistent with the Auditor General's recommendation, the Ministry has communicated post-secondary capital priorities. The Ministry is currently developing more rigid criteria for project evaluation that build on the business practices associated with the federal–provincial KIP program.

The Ministry's existing Capital Support Program outlines the responsibilities and reporting requirements of a college receiving capital support funding and provides a mechanism for advancing funds on a monthly basis as work progresses on the project. It ensures that the government's transfer-payment directives are being adhered to for all capital funding.

The Ministry acknowledges that there have been gaps in enforcing compliance with ministry reporting requirements. Based on reports received for the projects reviewed, including reports received since the completion of the Auditor General's fieldwork, no significant issues have been identified to date with respect to use of funding or project outcomes. The Ministry will continue to make the necessary improvements to the oversight of capital projects that link the release of funding to the submission of required reports.

MEASURING AND REPORTING ON PROGRAM EFFECTIVENESS

Capital expenditures are made to acquire or construct building assets and to extend the useful life of facilities and property. Provincial corporate management directives require ministries to establish clear objectives for making public infrastructure capital expenditures and to establish measures by which performance will be evaluated, including performance standards or service levels to be achieved.

Thus, given the significant funds invested in college infrastructure, the Ministry should have appropriate monitoring and performance measures in place to determine and report on whether college infrastructure assets and facilities are maintained in good condition to enable the colleges to deliver their programs. However, the Ministry's 2010/11 fiscal year plans did not include any performance measures that are linked to levels of service, and there was no plan at the time of our audit to include such measures in the ongoing capital planning process.

From a public-reporting perspective, although the Ministry reported publicly the specific funding directed to major capital projects and college renewal programs, we found that it had not established measurable objectives and criteria for evaluating the effect of the funding on the condition of college capital facilities, nor were these reported in the Ministry's published results-based plans or otherwise publicly reported. Some of the performance measures that could be reported by the Ministry to demonstrate whether its capital asset management goals are being achieved include targets for the appropriate condition of college facilities, space-utilization rates, college maintenance-expenditure levels, and accumulated deferred maintenance. The Standing Committee on Public Accounts has recommended that such information be reported by Ontario ministries as a result of its hearing on our 2007 audit on universities' management of facilities.

Although colleges have been delegated the responsibility for ensuring that their infrastructure assets are maintained in good condition, many of the colleges we visited did not have any specific performance measures in place to evaluate the success of their capital programs.

RECOMMENDATION 4

To help ensure that all stakeholders have a good understanding of the condition of the province's college infrastructure assets, the Ministry of Training, Colleges and Universities and the colleges should continue to develop and report long-term performance indicators on the management and condition of their facilities.

[illegible]

The Ministry agrees with the Auditor General on the importance of current and reliable data on college infrastructure assets and has engaged the college system in discussions on how to implement a Building Inventory and Utilization Reporting System, as well as a Facility Condition Assessment Program. As part of the discussions with the sector, the Ministry will seek to develop performance indicators on the management and condition of college assets. The Ministry will continue to work with the Ministry of Infrastructure to ensure that college indicators are consistent with other province-wide infrastructure performance measures.

Chapter 3
Section
3.07

Ministry of Infrastructure

Infrastructure Stimulus Spending

Background

The global economic crisis in 2008 led governments around the world to adopt economic-stimulus measures. In Canada, the federal government announced in January 2009 its Economic Action Plan, which included infrastructure investments, tax relief, and grants to businesses and individuals.

The Plan also included several short-term programs to support infrastructure projects and create jobs throughout 2009 and 2010. These programs targeted construction-ready projects that would not otherwise have been built within those two years, and had requirements that they be substantially completed by March 31, 2011.

The Ontario government expected that the federal government would provide approximately $3.45 billion to Ontario for these programs, with the province matching the federal contribution dollar-for-dollar. The plan was so designed that for every dollar that eligible recipients—municipalities, First Nations, and not-for-profit organizations—committed to an approved project, the federal and provincial governments would contribute another two dollars. As well, a number of projects were undertaken by the province itself and funded 50-50 with Ottawa. With full take-up, the programs would lead to more than $8 billion in infrastructure spending across the province. Funds could be used to rehabilitate existing, or build new, infrastructure in a variety of economic sectors.

Our audit focused on three of these programs:

- Infrastructure Stimulus Fund (ISF);
- Building Canada Fund–Communities Component Top-Up (BCF-CC); and
- Recreational Infrastructure Canada Program in Ontario and Ontario Recreational Program (RINC).

The ISF and BCF-CC programs would primarily support construction of roads, bridges, parks, and trails, along with facilities such as municipal buildings and water and wastewater processing plants, while RINC would help build recreational infrastructure. Together, the three programs accounted for about $3.9 billion, or 57%, of the $6.9 billion in total federal–provincial short-term infrastructure commitment.

The Ontario Ministry of Energy and Infrastructure (MEI), in partnership with other provincial ministries and its federal counterpart, was responsible for delivery of the three programs. In addition, MEI was the lead ministry responsible for oversight and negotiating funding arrangements. However, on a day-to-day basis, the Ministry of Agriculture, Food and Rural Affairs administered ISF and BCF-CC, while the Ministry of Tourism and Culture administered RINC.

(On August 18, 2010, the Ministry of Energy and Infrastructure was split into the two stand-alone ministries of Energy and Infrastructure. As our audit covers the period before the split, we will continue to refer to the Ministry of Energy and Infrastructure in this report, although our recommendations will be directed to the Ministry of Infrastructure.)

Each infrastructure program has a management committee, or equivalent, composed of federal and provincial representatives, with a mandate to oversee management and implementation of the program.

When the two governments unveiled the programs in spring 2009, they set March 31, 2011, as the deadline for substantial completion of projects. In December 2009, the federal government announced that the deadline for funds to be approved for projects was January 29, 2010. Any funds still uncommitted by January 29, 2010, would be re-allocated elsewhere or allowed to lapse.

As of March 31, 2010, about $3.1 billion of the $3.9 billion available under the three programs had been committed to federal–provincial cost-shared projects. Of the remaining $800 million available, the federal government provided $400 million directly to funding recipients on infrastructure projects and for its own administration costs while the province committed the remainder to infrastructure projects that do not have a March 31, 2011, deadline.

Audit Objective and Scope

The objective of our audit was to assess whether adequate systems and procedures were in place to:

- ensure the timely distribution and prudent administration of these selected infrastructure-stimulus program funds; and
- measure and report on the effectiveness of these programs.

We developed audit criteria to evaluate the systems and procedures that should be in place for effective program delivery. These criteria were discussed with and agreed to by senior management of the responsible ministries.

The scope of our audit included research into economic-stimulus initiatives in other Canadian and U.S. jurisdictions, a review of the federal–provincial and provincial-recipient funding agreements, relevant provincial ministries' files and information, and relevant federal government reports. We also interviewed staff of the ministries involved and funding recipients, and toured project sites. In addition, we engaged an independent firm to conduct an online survey of more than 100 recipients, which generated a response rate of over 90%.

Given that most of the funded projects were at a preliminary stage and the majority of committed funds had not yet been spent, we could not examine whether recipients had spent funds prudently and for the purposes intended.

At the time of our audit, the Office of the Auditor General of Canada and the auditors general of several other provinces were also conducting, or planning to conduct, audits of infrastructure stimulus programs. We collaborated with them on research and planning.

In addition, Ontario's Internal Audit Division assisted ministries with the identification of risks and the development of accountability frameworks and internal controls during the roll-out of the programs. The Division also conducted an assessment of the corporate controls and processes at the Ministry of Energy and Infrastructure, and issued a report in May 2010. This work was helpful in planning the scope and extent of our audit work.

Our audit covered neither the Infrastructure Stimulus Fund projects funded directly by the federal government nor the non-stimulus projects funded by Ontario. For example, the City of Toronto negotiated directly with Ottawa for $190 million in federal funds for its infrastructure stimulus projects. Ontario's contribution of $270 million to Toronto was to be spent on the Toronto Transit Commission's Light Rail Vehicle fleet and car-house construction, with completion expected in 2018 and therefore outside the scope of our audit.

Our audit of Infrastructure Asset Management at Colleges (see section 3.06) also examined the approval process for stimulus funds provided to colleges under the Knowledge Infrastructure Program.

Summary

In order to ensure that stimulus funds would be injected into the economy to create jobs as quickly as possible, the three programs were to give priority to construction-ready projects of demonstrable benefit to their communities that could be substantially completed within two years. Priority was also to be given to those who planned to spend 50% or more of the funds by March 31, 2010, the end of the programs' first year.

However, we noted that as of March 31, 2010, the end of the first year of the two-year program, less than $510 million, or only about 16%, of the total $3.1 billion committed by the federal and Ontario governments, had actually been spent. According to the job-creation model used by the Ministry of Energy and Infrastructure (MEI), the three programs we examined would create and preserve about 44,000 jobs (each job was defined as one person-year of employment). But given the lower level of actual spending during the first year of the programs, only about 7,000 jobs were estimated to have been created or preserved during the first year of the two-year program.

The tight deadlines for distributing funds made it necessary to plan and implement the infrastructure-stimulus programs within a short period. We noted that the responsible ministries devoted significant efforts to establish the appropriate systems and processes, and to adhere to the province's Transfer Payment Accountability Directive on program eligibility, reporting, and other accountability requirements. However, we noted a number of areas where improvements could be made to similar future programs involving tight timelines to help ensure the selection of those projects that best meet program objectives.

With respect to the grant-application and application-assessment processes, we noted that:

- MEI placed no limit on the number of applications that municipalities with populations of more than 100,000 could submit under ISF, the largest of the three infrastructure programs. This provided an incentive to submit large numbers of applications in hopes of getting as many of them approved as possible. For example, four municipalities submitted a total of almost 1,100 applications, accounting for 40% of the applications submitted by the 421 Ontario municipalities for this program.
- Due to the tight deadlines, the time allotted for the provincial review of ISF applications was in most cases just one to two days. In one instance, we noted that a key component of the provincial review for 56 projects worth an estimated $585 million was carried out in just four hours. In our view, it would not have been possible to conduct the necessary review work within such a tight time frame.
- Applicants were not required to prioritize their infrastructure needs, and none did in their applications, making it more difficult to assess the benefits of the proposed projects and make informed funding decisions. One municipality submitted 150 applications valued at $408 million, and received approvals for 15 projects worth $194 million. From our visit to this municipality, we noted that 11 of the approved projects, valued at $121.7 million, were ranked at or near the bottom of the municipality's own priority list, while other, higher-ranked eligible projects were not approved.
- We noted that technical experts were generally not involved in assessing the applications even though thorough analysis by such experts would have helped assess the reasonableness of project cost estimates and identify

those unlikely to meet the two-year completion deadline.

After assessment and review by civil servants in the appropriate ministries, applications were submitted to the office of Ontario's Minister of Energy and Infrastructure and to his federal counterpart for final review and approval. With respect to this process, we noted that there was a general lack of documentation to support the decisions regarding which projects got approved, and which did not.

In some cases, ministers' offices approved projects that civil servants had earlier deemed ineligible or about which they had flagged concerns. We found little documentation to indicate how, or even if, the civil servants' concerns had been addressed prior to approvals being granted. Without such documentation, there is a heightened risk that the Ministry would be unable to demonstrate that the awarding of projects was open, fair, and transparent, or that political considerations did not come into play. In this regard, the results of our review of a sample of projects by electoral riding indicated there were no discernible patterns. Nevertheless, such approval decisions should be clearly documented and justified to ensure transparency and accountability in spending public money.

Federal and provincial funding ends on March 31, 2011, after two years. As only 16% of the committed funds had been spent after the first year, many recipients will be challenged to ensure that they complete projects before this deadline. Our survey indicated that as of May 2010, more than one-third of respondents faced such issues as having to adjust project specifications and cost estimates in the original applications, pay contractors overtime, and sole-source some contracts to meet the deadline. For example:

- It cost one recipient $620,000 extra to move the completion date for a new $13-million recreational facility up two months to meet the March 31, 2011, deadline.
- One municipality had to add incentive clauses ranging from $50,000 to $100,000 to five projects to try and advance their completion dates, and was considering similar incentives for another seven.
- A number of recipients said that doing certain work in winter, such as laying asphalt or sod, to meet the spring 2011 deadline could lead to increased maintenance and other costs during the life cycle of a project.

We communicated our concerns regarding the completion of all work by the March 31, 2011, deadline to the relevant ministries during our audit to ensure that timely action could be taken. The ministries indicated they used a risk-assessment tool in February 2010 to identify and monitor projects experiencing delays, but we were concerned that the information used for this work was incomplete and out of date. The ministries were working to update their information at the completion of our field work in April, 2010.

[illegible]

The Ministry of Infrastructure and its program delivery partners welcome the observations and recommendations of the Auditor General. Given that the infrastructure stimulus programs are still being implemented, we have already taken actions to address many of the Auditor General's recommendations, and will continue our efforts to increase accountability and oversight. The province's infrastructure stimulus programs are supporting thousands of projects throughout the province. As of October 2010, more than 90% of these projects were on track to be completed by the March 31, 2011, deadline.

The infrastructure stimulus programs were developed by the Government of Canada. Ontario's Transfer Payment Accountability Directive was paramount in guiding the steps taken to ensure accountability and transparency of these programs during implementation, while also ensuring that stimulus funds would be injected into the economy as quickly as possible.

A formal application process was used, including a requirement for a formal attestation by applicants as to the accuracy of each application and their ability to complete projects by the March 31, 2011, deadline. In addition, all funding recipients are required to operate under a binding contribution agreement that ensures funds are spent in an appropriate and accountable manner.

Based on input from the Auditor General's staff during this audit, and experience gained during program implementation, the Ministry has made significant improvements to these programs. Our monitoring and reporting is more complete and accurate, and we are assessing and monitoring all projects using a rigorous risk-assessment tool.

Detailed Audit Observations

When the federal government announced the infrastructure stimulus programs in January 2009, it gave provincial and territorial governments the choice of applying the funds to unfunded applications from existing programs or to invite new applications. Ontario chose to invite new applications for the Infrastructure Stimulus Fund (ISF), the Building Canada Fund–Communities Component Top-Up (BCF-CC), and the Recreational Infrastructure Canada Program in Ontario and Ontario Recreational Program (RINC).

The programs were launched during April and May 2009, and potential recipients had only two to three weeks to submit applications. These were then assessed by federal and provincial staff for eligibility, reasonableness of timelines, expected benefits, possible funding duplication, and alignment with provincial policies and priorities.

Applications assessed by the province were examined primarily by staff from the Ministry of Agriculture, Food and Rural Affairs (OMAFRA), and the Ministry of Tourism and Culture (MTC). Final decisions on project selection and approval were made jointly by the office of Ontario's Minister of Energy and Infrastructure and by his federal counterpart. A summary of key information about the three programs is shown in Figure 1.

The tight deadline for committing funds made it necessary to plan and implement quickly an

Figure 1: Summary of Key Dates and Details for the Selected Programs as of March 31, 2010

Source of data: Ministry of Energy and Infrastructure

	Infrastructure Stimulus Fund (ISF)			BCF-CC	RINC
applicants	municipalities[1]	not-for-profit	provincial ministries[2]	municipalities (<100,000)	municipalities/ not-for-profit/ First Nations
committed funds (federal and provincial)	$1.95 billion	$154 million	$212 million	$392 million	$390 million
date approved projects announced	June 5, 2009	Dec. 23, 2009	Jan. 29, 2010	June 5, 2009	June 26, 2009
application limits (by population)	unlimited-(>100,000) 3-(<100,000)	one	unlimited	one	unlimited
funding cap	no	no	no	no	$1 million
# of applications received	2,746	954	411	430	1,539
# of projects approved (% of applications)	1,213 (44%)	70 (7%)	104 (25%)	187 (43%)	767 (50%)

1. Does not include funding for ISF projects for the City of Toronto ($190 million from Ottawa and $270 million from Ontario) because the city negotiated directly with the federal government for ISF funds, and provincial funding has been allocated to Light Rail Vehicles.
2. These project costs are shared 50-50 between the federal and provincial governments.

application and assessment process for the stimulus programs. Ministries, with assistance from Ontario Internal Audit, made significant efforts to establish such processes, along with appropriate controls. In addition, they made a conscious effort to adhere to principles of Ontario's Transfer Payment Accountability Directive, which includes a requirement to establish criteria for program eligibility and to insert accountability and reporting requirements in all funding agreements.

However, we noted a number of areas where improvements could be made to similar future programs involving tight timelines to help ensure selection of projects most likely to meet the objectives of an infrastructure and employment stimulus plan.

PROGRAM ELIGIBILITY AND APPLICATION ASSESSMENT

Program Design and the Submission of Applications

Municipalities with populations greater than 100,000 could apply for an unlimited number of projects under ISF. The actual number of applications received from each of these bigger communities varied greatly and ranged from three to 312. Four municipalities alone submitted a combined total of almost 1,100 applications, accounting for 40% of all applications. In total, 421 municipalities applied to ISF; a breakdown of applications made by the top-10 municipalities is shown in Figure 2.

As well, municipalities were not asked to prioritize their infrastructure needs in their applications, and none did. This, and the unlimited number of applications they were allowed to submit, could provide an incentive to submit applications for low- as well as high-priority projects in the hope of getting as many as possible approved. One municipality, for instance, acknowledged that it applied for several road projects close to each other even though it had not had sufficient time either to examine the impact on traffic or its capacity to handle the number of projects for which it had applied.

Another municipality submitted 150 applications valued at $408 million and representing 80% of its estimated capital shortfall over the next five years. It received approvals for 15 projects worth $194 million. However, we noted during a visit there that only four of the approved projects were ranked in the top 20, whereas the remaining 11, worth $121.7 million, were ranked between 120 and 150—at or near the bottom of the municipality's own priorities list. We were subsequently informed that the approval was based on a decision by the then minister not to fund projects under $1 million in large municipalities, as these municipalities would likely have the fiscal capacity to undertake them without the assistance of stimulus programs. However, there was a lack of documentation to explain why other, higher-ranked projects from this or other applicants were not approved instead.

Although applicants were required to describe the expected benefits of the proposed projects, neither the ministries nor the applicants estimated the extent to which the projects would create and preserve jobs—even though that was the primary objective of the stimulus programs. The impact on employment will vary with the size and nature of projects and so it would have been reasonable to take all relevant factors into consideration when evaluating applications.

Finally, although priority was to be given to projects that would spend 50% or more of project cost by March 31, 2010, it was clear from communications between federal and provincial staff that it would be unreasonable to expect recipients to spend evenly over the two years of the program. Instead, federal staff said to expect that spending would be heavily weighted toward 2010/11. However, in prioritizing the applications, the selection process was not adjusted to assess the reliability of the information or to initiate follow-up where appropriate.

Figure 2: Analysis of Applications and Approved Projects for the 10 Municipalities Submitting the Most Applications

Source of data: Ministry of Energy and Infrastructure

Municipality	# of ISF Applications Submitted	Total Value of Applications ($ million)	# of Applications Approved	Total Value of Applications Approved ($ million)	% of Requested $ Approved
A	312	109.5	15	50.5	46
B	302	187.6	132	138.7	74
C	269	504.2	91	375.9	75
D	215	42.7	174	30.3	71
E	150	407.8	15	194.4	48
F	70	80.5	55	25.5	32
G	68	131.5	21	66.5	51
H	49	130.1	42	96.9	74
I	44	94.0	14	53.5	57
J	40	258.0	17	79.0	31
Total	**1,519**	**1,945.9**	**576**	**1,111.2**	**57**

Assessing the Applications

The Ontario ministries and their federal counterpart were jointly responsible for assessing applications for infrastructure-stimulus funding. Although the assessment processes differed depending on the program, similar assessment criteria were applied across all programs to support construction-ready projects, including:

- reasonableness of construction start and end dates;
- reasonableness of cost estimates;
- likelihood of spending 50% of funding by March 31, 2010;
- applicant's financial capacity; and
- consistency with provincial policies and priorities.

OMAFRA and MTC were designated to carry out assessments on behalf of the province because they had previous experience delivering capital-grant programs and working with recipients. In addition, the two ministries already had payment-processing systems and staff in place to administer the programs.

The majority of applications were assessed over a two-week period in May and June 2009. The assessment of the BCFCC and RINC applications were shared between federal and provincial staff. ISF applications were subject to an initial screening by federal staff based on a methodology that was agreed to by provincial staff before being forwarded to the province for additional review.

For ISF, the goal of the screening process carried out by federal staff was to identify stimulus-ready projects among the applications. Screening criteria included identifying any need for federal environmental assessments and consultation with First Nations, the share of funding, and projects costing more than $100 million. After screening by federal staff, applications were then sent to the province for assessment and due diligence. However, OMAFRA had only about 15 assessment staff to handle more than 2,000 municipal applications, many for multi-million-dollar projects. In most cases, MEI allowed a turnaround time of just one to two days to flag concerns with the applications—and in one case, we noted that a key component of the provincial review for 56 projects with an estimated value of $585 million was assessed in just four hours. In our view, it would not have been possible to carry out an appropriate due-diligence review of these applications under such circumstances.

In past capital-grant programs, ministry staff were mostly responsible for administering claims. Evaluation of the grant applications themselves usually required input from independent technical experts—engineers, for example—to assess such factors as a proposed project's benefits, construction dates, and cost estimates. It was also previous practice to enlist the specialized expertise of other ministries, such as Transportation and Environment, although the administering ministries retained accountability for the overall success of capital-intensive programs.

We noted, however, that no technical experts were engaged to review applications under ISF and RINC, although a few were involved in assessing some BCF-CC applications.

Given the wide spectrum and complexity of applications for stimulus funding, feedback from technical experts would have been even more important here. For example, one-third of respondents to our survey acknowledged that one of the challenges they faced in completing applications was gathering reliable and accurate cost estimates for projects.

However, as one technical expert said in his review of certain BCF-CC applications, the time constraints under which he worked would not have allowed for a thorough review and follow-up on any concerns identified. Under the circumstances, we believe a more risk-based approach might be warranted, one that would focus attention and depth of review on high-risk projects prioritized by, for example, size and complexity. We found no evidence that such risk assessments were done.

In addition, we noted that descriptions in the applications of expected project benefits were, in many cases, generic and repeated across multiple applications. This made it difficult for ministry staff, already working under tight deadlines, to assess the merits of individual projects and prioritize their selection. For example, one municipality applied for 110 roads and 175 park and trail projects, all with the same description for each project category. Of these, 49 roads and 73 parks and trails were recommended for approval. However, as all the applications contained the same information, it was impossible to determine how projects were ultimately selected and rejected. Similarly, six of another municipality's 19 applications for bridge projects were selected, but all 19 applications contained the same information.

Although it was prudent to establish a formal assessment process to help ensure selection of projects best suited to program objectives, the tight time frames under which ministry staff worked made it extremely challenging to carry out proper assessment of applications. As well, conducting knowledgeable assessments would be difficult without more project-specific and reliable information from the applicants.

RECOMMENDATION 1

To help ensure that projects best suited to meeting program objectives are funded in any future infrastructure programs, the Ministry of Infrastructure should:

- **follow a more risk-based approach to designing and implementing future capital-grant programs and consider all important factors affecting program delivery, including project suitability, reasonableness of timelines, and the capacity of and demand on ministry resources;**
- **require that applicants better demonstrate the benefits of their proposed projects, provide evidence that the expected benefits are achievable, and prioritize their applications; and**
- **strengthen its due-diligence process and include the use of technical experts to review high-risk projects, in assessing grant applications.**

[illegible]

The Ministry will expand the use of risk-based program design and analysis for future infrastructure programs. The Ministry will also assess the resource implications of program-design decisions, and work to incorporate additional technical due diligence where warranted on a risk-based approach. The Ministry will also ensure that future application processes place a greater onus on applicants to demonstrate that the claims in their applications are valid and achievable, in addition to the formal attestation required for these programs.

APPROVALS OF APPLICATIONS

Under Ontario's Transfer Payment Accountability Directive, the responsible minister is accountable to the public and the Legislative Assembly for authorizing grants. The results of assessment and recommendations by civil servants in the partner ministries and MEI were submitted to the offices of the Ontario Minister of Energy and Infrastructure and his federal counterpart for final review and approval.

Figure 3 summarizes the changes made to the ISF municipal applications and RINC applications after the assessment and recommendations by ministries' staff in May/June 2009. With respect to the BCF-CC projects, the results of technical reviews of the 430 applications were initially categorized into a high, medium, or low ranking by OMAFRA staff, but they did not make recommendations about which projects to fund.

All the applications were submitted to both the federal and Ontario ministers' offices, which subsequently worked with and communicated their selection to MEI staff verbally at meetings or over the telephone, or by email, before coming up with an approved list.

We noted there was generally a lack of formal documentation to support the decisions made by the ministers' offices. This made it difficult to determine the rationale for the final project selection, especially in cases where civil servants' recommendations and prioritization of projects were not followed. We did note from individual applications that concerns had been expressed about the timelines and sustainability of a number of projects that were approved. However, no documentation was maintained to indicate whether the concerns had been taken into consideration when making the ultimate decision.

Figure 3: Changes to Federal/Provincial Staff Recommendations, December 2009

Source of data: Ministry of Energy and Infrastructure

	ISF-Municipal	RINC
# of applications	**2,746**	**1,539**
recommended projects	1,289	717
removed by ministers' offices	(261)	(153)
added by ministers' offices	185	203
[illegible]	[illegible]	[illegible]

For example, we noted with respect to ISF and RINC that many changes were made by ministers' offices to the lists of recommended projects, but there was a lack of documentation to support the final decision. For instance:

- Of the ISF municipal projects added by the ministers' offices, 21 of them, valued at $304 million, had been originally deemed ineligible by federal and provincial civil servants due to unreasonable timelines or for failing to meet program criteria. MEI was unable to provide evidence that these concerns were addressed before projects were approved. In fact, our follow-up indicated that the concerns flagged during the assessments, including unreasonable completion timelines, were legitimate. Specifically, we noted that as of June 2010, 17 of the 21 projects had submitted claims for less than 10% of total project costs, even though the key program objective was to inject funds into the economy as quickly as possible.
- On June 2, 2009, the office of Ontario's Minister of Energy and Infrastructure asked for the removal of proposed ISF municipal projects submitted by large municipalities

where eligible costs were less than $1 million. We noted that of the 622 recommended projects in this category, 225 of them, valued at $70 million, were removed without written explanation about how these decisions were made. Often, small projects are better suited to meeting the objective of short-term job creation and could have been completed by the March 31, 2011, deadline because they require less start-up time.

- Six months after the initial announcement of ISF municipal projects, the ministers' offices announced in December 2009 an additional 29 municipal projects worth $173 million for various municipal buildings, community centres, wastewater plants, and local road projects. Five of those projects, valued at $78 million, had been turned down in previous applications. Applicants had been asked to re-apply despite the existence of many other eligible applications. Ministry staff had noted there was a risk about the perceived fairness of a process in which new projects were added without adequate documented support.
- Of the more than 700 recommended RINC projects, 153 were removed and replaced with 203 other applications, with no written justification as to why. Of the 203, 149 were not recommended by the assessment team due to late start dates, and 31 were originally assessed as ineligible due to lack of documentation, interpretation of program guidelines, and need for environmental assessment.

This lack of transparency to support the decisions made heightens the risk that the Ministry would be unable to demonstrate that the selection process was open and fair, and that political considerations did not come into play. We do acknowledge that this risk was mitigated by the fact that project selection was approved jointly by the federal and Ontario ministers. In this regard, however, MEI staff indicated they are not in a position to confirm whether a particular project was added or removed by the provincial minister or the federal minister. We did ask the Ministry if it tracked the number of projects and dollars awarded by electoral riding. It replied that, other than providing information about approved projects and funding by location and census division, it did not.

Accordingly, we reviewed 100 of the projects, accounting for more than half of the funds available for the three programs, by riding but concluded that there were no discernible patterns. Nevertheless, the province's Transfer Payment Accountability Directive requires transparency and accountability in the spending of public money. With respect to these examples, decisions during the final stage of the approval process had not been clearly documented and justified to ensure a fair and consistent project selection process.

RECOMMENDATION 2

To ensure a fair and transparent project selection process is followed for any similar programs in future, the Ministry of Infrastructure should:

- address all significant concerns raised during initial assessment and satisfactorily follow up and resolve them before approving the projects;
- strengthen documentation of the rationale for decisions reached throughout all stages of the grant-assessment and approval processes; and
- consider whether providing additional information would enhance transparency and be of interest to the general public and the Legislature.

MINISTRY RESPONSE

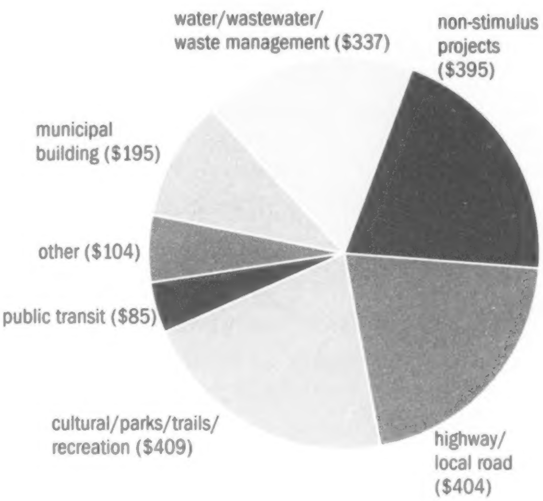
The Ministry agrees that documentation at all stages of the approval process is required to meet public expectations for transparency and accountability. The Ministry agrees that increased documentation, including the resolution of concerns raised during the assessment process, would support the ability to demonstrate that selection processes are fair and transparent. The Ministry will strengthen documentation processes in future similar programs to ensure that, as decisions are taken, rationales for those decisions are fully documented.

It is important to note that the decision process for the stimulus projects was a joint one, negotiated and agreed to between federal and provincial ministers. The final project-selection decisions were negotiated and made jointly with the federal government.

The Ministry is providing a wide range of useful information on the government's *Revitalizing Ontario's Infrastructure* website, including stimulus-project details such as project cost, location, and completion status. The Ministry continues to improve the website and plans to enhance project details in a future update of the site.

Figure 4: Provincial Funding of Infrastructure Stimulus Projects by Category, March 31, 2010 ($ million)

Source of data: Ministry of Energy and Infrastructure



Notes: Non-stimulus projects do not have the March 31, 2011, substantial completion requirement. Municipal building projects include halls, community centres, fire halls, and emergency management services. Other projects are primarily not-for-profit projects relating to community facilities.

PROJECT MANAGEMENT

Reporting and Monitoring the Progress of Projects

Provincial funding for the three programs by infrastructure category was as illustrated in Figure 4 and totalled more than $1.9 billion.

Recipients were required under their agreement with the province to report monthly and quarterly on project progress, including expected and actual construction dates and estimated percentage of project completion. The information was reported to the federal government and used for reporting progress on MEI's website.

At the end of March 2010, all BCF-CC recipients had reported on project progress. However, there had been either no status reports or delays in reporting the status of 17% of ISF municipal projects and 40% of RINC projects. The status of RINC projects, in particular, was difficult to determine reliably due to issues with RINC's information system. Although the ministries indicated they had contacted recipients who had failed to report, the results of those discussions and any feedback on the status of project progress was not updated in the ministries' information systems. As a result, the project status reported to the federal government and the public was likely not complete and up-to-date. In June 2010, subsequent to our audit field work, we were informed that progress reports had been submitted for 95% of all projects.

We noted a variety of interpretations by recipients as to what project progress means. Some defined it as estimated work done while others used actual dollars spent and engineering assessments. We performed our own analysis of progress based on actual spending by recipients. As of March 31, 2010, our calculations indicated only $510 million, or 16% of the $3.1 billion in committed funds, had been spent. This lagged significantly behind the province's initial expectation of equal spending in each of the program's two years and left about $2.6 billion of the $3.1 billion originally committed still to be spent in the 2010/11 fiscal year.

Our follow-up with a sample of the recipients noted the following principal reasons for the delays:

- Timing of application-approval process: For work to start in time for the 2009 "good-weather" construction season, sufficient lead time was required in winter and spring to complete planning and procurement work. As projects were not approved until June 2009 or later, it was not possible to take advantage of the 2009 construction season for most of the projects, leaving the bulk of work to be completed in the 2010 construction season.
- Size and complexity of projects: Large construction projects generally require extensive planning and design, procurement, and construction-site preparation before work can start. Of the 1,574 ISF and BCF-CC projects, 85, or about 5.4%, accounted for 50% of the total available funding. In our review of 34 of these large projects, we noted 27 were not construction-ready at the time of application because the design phase was incomplete. Under normal circumstances, such projects would take anywhere from 36 to 48 months to complete.
- Weather and the environment: The progress of a number of projects was constrained by seasonal factors and environmental concerns such as the temperature requirement for asphalt and concrete work, and fish-habitat considerations in waterways. Fisheries and Oceans Canada has guidelines for the timing of in-water construction for the protection of fish and their habitats. As a result, work on bridges over water can only be done within a limited time during the construction season to ensure that it does not interfere with fish spawning.
- Contingencies: Some proposed project schedules were overly optimistic and failed to build in any contingencies for unanticipated delays. Recipients reported environmental discoveries that required further permits or reviews, soil conditions requiring additional work, archeological discoveries, and land-ownership issues.

The delays were even more evident for ISF projects involving not-for-profit organizations (NPOs). These were not approved until December 2009, six months after funds for the ISF-municipal projects had been committed, even though they had the same project-completion deadline of March 31, 2011. Project progress reports were not available for the 70 NPO projects, with combined federal–provincial funding of $155 million, because OMAFRA had yet to add these projects to its tracking system. In fact, as of March 2010, funding agreements with some NPOs were still being finalized, even though the same completion deadline applied.

About half of the respondents in our survey of grant recipients said they had concerns about whether some of their projects would meet the March 31, 2011, deadline for substantial completion. In most cases, they also indicated that pushing the deadline a few months further into the 2011 good-weather construction season would help them finish on time.

We acknowledge that the federal government stipulated the requirement that all work be substantially completed by March 31, 2011, and that funding recipients rather than the province are responsible for all costs incurred after that date. However, there is still a risk the province may have to step in and assume part or all of the cost of completing projects started by recipients unable to finish the work without continued federal and provincial funding. Any discontinuation of funding would put the fate of federal investments in upgrading Ontario's infrastructure at risk. Given this risk, the ministries need to have reliable information on the current status of the funded projects.

We communicated our concerns to the ministries throughout the audit. In February 2010, OMAFRA's management committee approved a risk-assessment tool to identify and monitor projects that are experiencing delays. However, we noted that the information used for this work was incomplete and out of date. The ministries were working to update the information at the completion of our field work in April, 2010.

RECOMMENDATION 3

To help ensure that funded projects are completed on time and on budget, and to comply with funding agreements, the Ministry of Infrastructure should:

- ensure that recipients report project information consistently and on a timely basis, and follow up on projects at risk of missing the funding cut-off deadline; and
- consider raising the issue with the federal government once reliable data is available on the number and extent of projects that will not be completed by the March 31, 2011, federal funding cut-off.

[illegible]

The Ministry agrees that timely and accurate monitoring and reporting are essential aspects of stimulus-program delivery. The reporting mechanisms for the stimulus programs have improved significantly since they were initially implemented. In June 2010, for example, funding recipients submitted the required reports for 95% of all stimulus projects, and the delivery ministries followed up in each case where reports were not provided.

The Ministry also agrees that sharing risk information with our federal partners is essential to managing this program, and will continue to liaise with federal staff as risks are identified. Since April 2010, the Ministry has been carefully analyzing the risk that stimulus projects might not be completed by the March 31, 2011, deadline. This analysis has been completed for all of the stimulus projects, including those subject to this audit, and is updated on a continuous basis to help proactively manage at-risk projects.

Costs to Meet the Funding Deadline

We noted that some recipients, in trying to meet the March 31, 2011, completion deadline, incurred additional costs that might not otherwise have been necessary. Although it was difficult to quantify the total cost of these additional expenses, more than one-third of respondents in our survey faced such issues as having to adjust original cost forecasts, pay contractor premiums, and sole-source some contracts to meet the deadline.

Some examples we noted:

- A recipient building a new 48,000-sq.-foot multi-purpose recreational facility for $13 million originally stipulated penalties in its tender documents for missing the completion date. However, the architectural firm overseeing the project said no prequalified contractor was willing to bid with any penalties attached to the March 31, 2011, deadline. After the tender was revised to remove the penalty clauses, four bids were received. Although most contractors insisted that it was not possible to accelerate the construction schedule to reach substantial completion by March 31, 2011, the successful bidder offered for an additional $620,000 to move the completion date up by two months to meet the deadline.
- A municipality received approvals for 12 projects worth $130 million, and determined that an incentive clause was required for at least five of them. The municipality indicated the incentives, ranging from $50,000 to $100,000 per project, were necessary to advance project completion to the end of 2010 because the work in question could not be done in the winter months of 2011. It was also considering similar incentives for seven other projects.
- One municipality we visited introduced penalty clauses of up to $10,000 for each day that work remains substantially uncompleted. In this regard, penalty clauses and early-completion bonuses are common in construction contracts to expedite work and avoid

subsequent contract disputes. However, such provisions are effective only if the timelines and the amount of damages are realistic. Otherwise, contractors will simply not bid, or increase their bid price to reflect the risks they are asked to bear.

In some cases, the quality of work could suffer in spite of any additional costs incurred as a result of the rush to finish. For example, the application of asphalt during low temperatures could lead to increased maintenance and other costs during the lifecycle of a project.

A number of recipients we visited also expressed concern about rushing through the design phase of large complex projects, which could lead to unforeseen issues, such as the need for change orders, during the construction phase.

RECOMMENDATION 4

To help ensure that funds are spent wisely, the ministries of Infrastructure, Tourism and Culture, and Agriculture, Food and Rural Affairs should work with any recipients experiencing significant delays on their projects to evaluate the options and solutions best suited to meet stimulus-program objectives and ensure value for money in completing the projects.

The Ministry of Infrastructure, along with the other program-delivery ministries, is engaged with project proponents on an ongoing basis. Special attention is being paid to projects identified as delayed or otherwise at risk. This includes working with proponents to identify options such as changing the scope of projects so that they can meet the stimulus deadline, and requesting more detailed construction documentation.

Ultimately, project proponents are accountable for the procurement, management, and delivery of their own projects.

Financial and Claims Administration

Recipients are reimbursed for the federal and provincial share of eligible project costs subject to a review by the responsible ministries of expenses incurred. In addition, the funding agreements contain audit provisions that allow for reviews of project expenditures and cost eligibility.

Most of the funds were approved for projects in municipalities with which ministries had ongoing and established relationships. However, there were also 149 not-for-profit organizations (NPOs) with 94 RINC projects and 70 ISF projects valued at $360 million. These NPOs were typically smaller and ranged from multi-purpose community organizations and recreational centres to special-purpose organizations like curling, soccer, and rowing clubs.

The ministries had no previous experience dealing with many of these smaller organizations, some of which might lack the project-management expertise and accountability structures of large municipalities. As a result, MEI needs to develop a better understanding of these organizations' controls and structures to identify risks associated with funds provided. Although the funding agreement did include an audit provision, more timely monitoring and audit might be warranted to ensure that funds were spent wisely and for the purposes intended.

RECOMMENDATION 5

To ensure that funds are spent wisely and for the purpose intended, the Ministry of Infrastructure should work with the Internal Audit Division to develop appropriate monitoring and audit coverage of fund recipients according to assessed risk.

The Ministry agrees that the Internal Audit Division has an important role to play in helping the Ministry ensure the accountability of the stimulus programs, including monitoring and audit considerations. The Ministry proactively engaged the services of the Division early in 2009 to provide advice on the design and implementation of the stimulus programs. We have been working with the Division continuously since then, and it has provided the Ministry with detailed advice on appropriate program design and risk mitigation. More recently, that work has focused on monitoring and audit requirements using a risk-based framework, which will assist the Ministry in ensuring that infrastructure funds are spent prudently and in accordance with negotiated contribution agreements.

MEASURING AND REPORTING ON PROGRAM EFFECTIVENESS

The short-term infrastructure programs are part of the government's overall plans to spend a total of $32.5 billion on Ontario's infrastructure over the next two years. This, along with municipal and other partner investments, is expected to support an estimated 146,000 jobs in the 2009/10 fiscal year and 168,000 jobs in 2010/11. A job is defined as one person-year of employment.

In November 2009, MEI launched the "Revitalizing Ontario's Infrastructure" website to allow the public to track the progress of projects, including those under ISF, BCF-CC, and RINC, along with the estimated number of jobs created across Ontario.

To estimate job creation, MEI worked with the Ministry of Finance to adopt an economic model that translated infrastructure investments into person-years of employment. MEI applied a multiplier of 8.8 jobs (updated to 9.45 jobs in 2010) for every $1 million of federal, provincial, and municipal/partner investment. Using this method, close to 44,000 person-years of employment would have been created or preserved under the three programs over the two years.

However, as there have been significant delays in the start of projects, the job figures should be adjusted to reflect actual spending. MEI's own economic model, applied to the approximately $510 million actually spent to date by the federal and provincial governments for the three infrastructure programs in our audit, along with municipal/partner spending totals supplied by MEI, suggests the total number of jobs supported during the 2009/10 fiscal year was just 7,000.

RECOMMENDATION 6

To better enable the public and legislators to evaluate the effectiveness of these stimulus programs, the Ministry of Infrastructure should:

- provide timely and accurate information on the progress of these projects; and
- ensure that the methodology used to calculate the impact of stimulus funds on employment is adjusted as needed to reflect the actual flow of funds into the economy and the impact on the job market.

[illegible]

The Ministry agrees that providing timely and accurate information on the progress of infrastructure projects is essential. The Ministry launched a public website in November 2009 to provide current information about thousands of stimulus projects across Ontario. This website provides the progress status of each stimulus project and is updated monthly to ensure that the most up-to-date information on project progress is available to the public.

The Ministry is committed to providing credible and accurate estimates of job creation, and will continue to refine the methodologies used to ensure that job-creation results are reported to the public in an appropriate way.

Chapter 3
Section
3.08 Municipal Property Assessment Corporation

Background

Ontario municipalities collected more than $20 billion in property tax during 2008. Of this amount, about $14 billion was levied by municipalities for their own operations while the remaining $6 billion was collected on behalf of school boards and turned over to them.

As is the practice in many other North American jurisdictions, property tax in Ontario is calculated by multiplying a property's assessed market value by the applicable tax rate. The tax rate is the sum of two numbers: the tax rate set by a municipality to enable it to meet its own budgetary needs plus the education-tax rate, set by the province, to fund school boards.

The determination of each property's market value is critical because it ultimately determines how much tax a property owner must pay; if the assessed value of one home increases more than others in the same area, then property tax payable on that home increases proportionally more than the others. Conversely, if a home's assessed value increases by less than others in the area, the tax payable increases proportionally less.

Until 12 years ago, the Ministry of Finance set the assessed value for properties in Ontario. On December 31, 1998, the province transferred this responsibility to the Ontario Property Assessment Corporation, later renamed the Municipal Property Assessment Corporation (Corporation). Under the *Municipal Property Assessment Corporation Act, 1997* and the *Assessment Act*, it is the Corporation's primary responsibility to prepare an annual assessment roll for each municipality, for each locality, and for non-municipal territories. Among other things, these rolls must contain:

- the names of all persons in each jurisdiction who own a property liable to assessment;
- a description of each property sufficient to identify it; and
- the current value of the land and buildings liable to taxation.

Under the *Assessment Act*, current value in relation to land (including buildings erected upon it) is defined as "the amount of money [a property], if unencumbered, would realize if sold at arm's length by a willing seller to a willing buyer," more commonly referred to as a property's market value. The type and number of properties assessed, and the valuation model used for each, are detailed in Figure 1.

Certain properties, including Crown lands, places of worship, cemeteries, hospitals, public educational institutions, and highways, are exempt from paying property tax, although they are still included in the assessment rolls.

Figure 1: Type, Number, Valuation Model, and Total Assessed Value of Properties in Ontario, as of December 31, 2009

Source of data: Municipal Property Assessment Corporation

Type of Property	# of Properties	Valuation Model Used	Total Assessed Values ($ billion)
residential and farm properties (including small commercial and industrial properties)	4,500,000	mass appraisals using a computerized analysis that estimates a property's market value based on recent sales of comparable properties in the same market area	1,300
multi-residential and large commercial properties	157,000	capitalization rates applied to a property's estimated current discounted cash flow revenues	279
large industrial properties	77,000	replacement cost, which considers the value of land, the current replacement cost of improvements made, and the accumulated depreciation	90

The Corporation is governed by a 15-member board of directors, which includes eight representatives of municipalities and five property-taxpayer representatives, along with two people representing the province. All are chosen by the Minister of Finance, based in part on recommendations from the Association of Municipalities of Ontario. The Corporation has a total of approximately 1,600 employees working out of its head office in Pickering, its Customer Contact Centre/Central Processing Facility in Scarborough, and 33 field offices across the province, as illustrated in Figure 2.

In 2009, Corporation expenditures totalled $185.5 million, most of which was funded by the province's 444 municipalities. Each municipality's share of costs is based on the total number of properties within its boundaries and their total assessed value. Over the last five years, Corporation expenditures have increased, from $156.3 million in 2005 to $185.5 million in 2009.

The decision to tax property based on assessed market value is government policy and thus beyond the scope of our mandate. However, it is within the scope of this audit to assess how well the Corporation does in estimating a property's fair market value and how well it spends the money with which it is entrusted.

Audit Objective and Scope

Our audit objective was to assess whether the Municipal Property Assessment Corporation (Corporation) has adequate systems and procedures in place to ensure that:

- the assessment rolls it provides to municipalities are complete, accurate, and based on up-to-date information about individual properties; and
- all costs incurred are prudent in the circumstances with due regard for economy and efficiency.

Given the high degree of public interest in the taxation of residential property, and the fact that residential properties account for approximately two-thirds of property-tax revenue in Ontario, our work focused on the assessment of residential properties.

The scope of our work included a review and analysis of relevant files and administrative procedures, as well as interviews with appropriate staff at the Corporation's head office, its Customer Contact Centre/Central Processing Facility, and four regional offices that we visited (Richmond Hill, St. Catharines, Thunder Bay, and Toronto). We also held discussions with senior staff at the Ministry of Finance and the Association of Municipalities of Ontario.

Figure 2: Staffing by Department/Function, as of December 31, 2009

Source of data: Municipal Property Assessment Corporation

Major Department/Function	# of employees
valuators/assessors	614
head office and other	344
property inspection (including 233 property inspectors)	338
IT department	122
data processing unit	92
customer contact centre	66
legal and policy-support services	39
Total	**1,615**

Prior to the start of our audit fieldwork, we identified the audit criteria that would be used to address our audit objectives. These were reviewed and agreed to by the Corporation's senior management. We last audited this program in 1992, when it was known as the Assessment Field Operations Activity of the Ministry of Revenue.

We also reviewed a report on the Corporation issued by the Ombudsman of Ontario in March 2006, along with a review of the development of the Corporation's Integrated Property System (IPS) computer system prepared by the Ministry of Finance's Central Agencies I&IT Cluster in June 2004. We also examined various reports issued by the Corporation's own internal audit department. Although these reports did not reduce the extent of our work, they did influence our thinking about specific issues and the approach to our work with respect to them.

Summary

There is no question that it is a massive undertaking to collect and maintain the required information on approximately 4.2 million residential properties, and to assess the market value of each. In addition, assessing market values using mass-appraisal systems is not an exact science and so cannot be expected to yield the exact price for which a property would sell on any given day.

From the perspective of the individual property owner, however, it is reasonable to expect that each property be assessed within a range that is reasonably close to its fair market value—the most likely sale price between a willing buyer and seller. That is also the position of the Corporation and Ontario's Assessment Review Board, the independent tribunal that hears appeals from people who believe that their properties are incorrectly assessed or classified.

To get an indication of whether the Corporation's mass-appraisal system achieved this objective, we compared the sale prices of 11,500 properties that the Corporation identified as having been sold at arm's length in 2007 and 2008 to their assessed value as of January 1, 2008. We found that in 1,400 of these transactions, or one in eight, the assessed value differed from the sale price by more than 20%. In many cases, the selling price was substantially higher or lower than the property's assessed value.

The Corporation acknowledges that some individual property assessments may not reflect the current or fair-market property-value range as indicated by an arm's-length sale price. These variances most often occur because the Corporation does not have up-to-date property data from a property inspection, nor does it routinely investigate large differences between sale prices and assessed values. As a result, some property owners may be over- or under-assessed, and therefore pay more or less than their fair share. However, it will be little solace to property owners who are over-assessed relative to neighbouring properties, and therefore pay more than their fair share of tax, to know that the system got it right for many of their neighbours but not for them.

More frequent property inspections and timely sales investigations should greatly reduce the differences between assessed values and sale prices because, at present, valuations may be based on incorrect information and the resulting assessments may be wrong, sometimes significantly so. Nevertheless, our discussions with the Association of Municipalities of Ontario indicated that municipalities were generally satisfied with the assessment-roll information that the Corporation provides.

We identified a number of areas where improvements are needed with respect to the Corporation's efforts to collect timely and accurate information about individual properties that is essential for accurate and consistent property-tax assessments. Among the issues we identified:

- At the end of our audit fieldwork in April 2010, we noted that for all 1,400 properties where we noted the sale price differed by more than 20% from the assessed value, the Corporation had not investigated the reasons for these differences or made any adjustments to the assessed value of these properties where warranted.
- A reasonable guide to changes in a property's value is a building permit, which provides details about proposed improvements to a property. We found almost 18,000 building permits with a total value of about $5.1 billion as of December 31, 2009, for which the Corporation had failed to inspect the corresponding properties within the statutory three-year limitation period for reassessing property and levying tax. Our review of a sample of these outstanding building permits from across the province found that:
  - In 30% of cases, the Corporation had not determined whether the work with respect to the permit was completed within the three-year limitation period.
  - In 24% of cases, a scouting visit had been made that determined the work with respect to the permit had been completed. However, a full inspection of the property had not been performed and the assessed value had not been updated within the three-year limitation period.
- Although the Corporation's target is to inspect each property in the province at least once every 12 years, the actual inspection cycle on a provincial basis would at best be 18 years, based on current staffing levels and assuming no further growth in the number of residential properties. We found that, province-wide, over 1.5 million residential properties, or about one in three, have not been inspected or had their property attributes otherwise updated in more than 12 years.
- Many of the inspection files we reviewed lacked sufficient documentation to indicate whether an inspection had been undertaken at all and what assessment changes, if any, were made as a result.
- On a positive note, we did find that the corporate quality-review function was operating effectively and identified errors in about 10% of the inspection files it reviewed. However, there were indications that quality review at the regional-office level was less effective.

We also found that the Corporation had established reasonable requirements for determining the need for goods and services, and for acquiring them competitively. However, when the Corporation acquired goods and services, it often did not comply with good business practices, including its own mandatory purchasing policies and procedures. For example:

- Almost half of the goods and services that should have been acquired competitively were not. In addition, we found many instances where contractual agreements for relatively small amounts were amended numerous times, thereby increasing the value of some original agreements by more than $1 million, or by as much as 1,500%, in some instances.
- In many cases, written agreements between the Corporation and its suppliers either were not in place or were prepared and signed after the goods and services had already been delivered and the underlying invoices had been received and paid.

- Paid invoices we examined from consultants and contractors often lacked sufficient detail to assess if the amounts billed were in compliance with the contractual agreement or to determine if the goods and services paid for had actually been received.

The cost incurred developing the Corporation's new computer system exceeded $50 million (including over $17 million in additional mainframe costs) as compared to an original budget of $18.3 million (including $7 million in additionally budgeted mainframe costs). Although the new system has been used to value residential and farm properties since 2007, valuation components related to business properties have not been developed.

[illegible]

As the Auditor General noted, property assessment in Ontario is a massive undertaking. Over the last 10 years, the number of properties in the province has grown to more than 4.7 million and their total assessed value has increased to $1.74 trillion. At the same time, Ontario's property assessment system has undergone a number of significant changes.

Within this challenging environment, the Corporation has continued to focus on producing accurate and timely assessments on Ontario's properties and on giving outstanding service to taxpayers. Every province-wide assessment update has exceeded the standards set by the International Association of Assessing Officers. Moreover, our customers have accepted our valuations more than 97% of the time.

A number of the Auditor General's examples indicated substantial variances between sale prices and assessed values. These variances are generally due to the timeliness of sales investigations and property inspections, and not the accuracy of the Corporation's valuation models. The Corporation has already initiated process improvements to ensure more timely sales investigations and to accelerate the property inspection cycle. These enhancements may have resource implications.

The Auditor General reviewed the Corporation's procurement practices over the last several years and identified some shortcomings. In 2009, the Corporation strengthened its policy to be consistent with the province's procurement directive. It also updated its policies to bring them into line with the province's directive on travel, meal, and hospitality expenditures.

This report also addressed the development of the Corporation's computer system. Although the costs were higher than originally expected, the system has been used since 2007 to value more than 94% of Ontario properties and to produce all Property Assessment Notices and Assessment Rolls. The system works.

We appreciate the Auditor General's review and his many positive comments. The Corporation has worked hard to ensure that property assessment in Ontario is fair, open, and transparent. The Auditor General's recommendations, which the Corporation is already implementing, will strengthen operations and enhance our culture of continuous improvement.

Detailed Audit Observations

The Ministry of Finance (Ministry) is responsible for establishing and overseeing property-tax assessment policies through the *Assessment Act* and its regulations, but it is the responsibility of the Corporation to implement these policies. A key policy requirement established by the Ministry, which has major implications for the Corporation's program delivery, is the schedule of valuation dates and the tax years to which they apply. The schedule since 1997 is illustrated in Figure 3.

Although the Ministry initially intended to update current-value assessments annually beginning in

Figure 3: Market Price Valuation Updates, as of December 31, 2009

Source of data: Municipal Property Assessment Corporation

Valuation Date	Applicable Tax Year
June 30, 1996	1998, 1999, 2000
June 30, 1999	2001, 2002
June 30, 2001	2003
June 30, 2003	2004, 2005
January 1, 2005	2006, 2007, 2008
January 1, 2008	2009, 2010, 2011, 2012

2005, it cancelled annual updates for the 2007 and 2008 tax years, in part as a result of the Ombudsman of Ontario's 2006 report on the Corporation. To encourage greater stability in property-tax assessment, the government announced in the 2007 Ontario Budget that, starting with the 2009 tax year, assessments for property-tax purposes would be on a four-year cycle and market-value assessment increases would be phased in over the four-year period. However, any market-value assessment decreases were to be applied immediately for 2009, the first applicable tax year.

The *Assessment Act* requires that a completed assessment roll be provided annually to each of the province's 444 municipalities no later than the second Tuesday following December 1. The Corporation also provides supplemental assessment rolls throughout the year based on updated property-assessment information and other changes. In addition, each property owner is provided with a Property Assessment Notice no later than 14 days before assessment information is provided to a municipality in an assessment update year or at the time a supplemental assessment is issued.

On receipt of the annual assessment roll, municipalities establish tax rates to be applied to an individual property's assessed value. The tax rates are determined based on a municipality's budgetary requirements for providing services such as policing, fire protection, garbage removal, snow removal, and road maintenance. The tax rates for the education portion of property taxes are set by the province. Tax rates are multiplied by the assessed value of a property to arrive at the property tax payable.

From a municipality's perspective, the most critical aspect of the assessment roll is the total assessed market value of all residential properties within its borders because this figure is the primary determinant of the tax rate. If the total value of residential properties drops, a municipality can raise the tax rate to raise the total tax income it requires.

However, the distribution of the total assessed market value among all residential properties is most important to individual property owners because it determines the proportion of total residential property taxes that they must pay.

Each year, municipalities normally send property owners an interim tax bill, based on 50% of the previous year's total tax owing, and a final bill that reflects any new increases or decreases to the tax owing as a result of changes to the assessed value and/or the tax rate set by the municipality and the province.

ASSESSED VALUES OF RESIDENTIAL PROPERTIES

To promote fairness and consistency in a market-value-based property-tax system, it is essential that individual properties are assessed for market value as accurately as possible and that similar properties are assigned similar values.

The Corporation's assessment model estimates a property's market value based on sales of comparable properties in a market area. There are approximately 130 residential market areas across the province. Market-area boundaries may change over time as the local marketplace changes. As well, boundaries between small market areas may be collapsed to ensure a sufficient sales sample for analysis and valuation purposes. Market areas are further broken down into approximately 8,800 locational neighbourhoods to adjust for location and to test equity on a smaller scale.

The province's Land Registry Offices provide the Corporation with information about property sales in the form of a copy of each Land Transfer Tax statement they register. The comparability of properties is determined by the Corporation through an extensive database of property attributes maintained in its computerized Integrated Property System.

To assess the accuracy of the Corporation's estimated property market values, it is the view of Ontario's Assessment Review Board that there is no better comparator or evidence of the current market value of a property than the actual price that a willing buyer paid to a willing seller for the subject property, or comparable properties, in the relevant time frame. From the perspective of the individual property owner, it is reasonable to expect that each property be assessed within a range that is reasonably close to its fair market value—the most likely selling price between a willing buyer and seller.

The Corporation believes it meets this objective if the overall average difference between assessed values and actual selling prices of all residential properties in an area is less than 10%. It also tests the accuracy of its mass-appraisal system using industry standards set by the International Association of Assessing Officers. However, in our view, these standards do not take into account and, in effect, can hide significant variances with respect to individual property assessments. These variances most often occur because the Corporation does not have up-to-date accurate data from a recent property inspection; nor does it investigate the circumstances surrounding property sales in a timely manner.

The Corporation's failure to inspect sold properties and make appropriate data corrections contributes to significant variances between sale prices and assessed values, often because the assessment does not reflect the physical characteristics of the property at the time of the sale. In our view, this is problematic because it will result in incorrect values on individual properties, which may have property-tax implications for the affected property owners. The success or failure of the Corporation's appraisal system depends in large part on more timely property inspections and sales investigations.

We gauged the accuracy and consistency of the assessed market values assigned to individual properties by comparing the 2007 and 2008 arm's-length sale prices of 11,500 properties from 24 locational neighbourhoods across the province against those properties' assessed market value on January 1, 2008. Our comparison found that for 1,400 of these properties—one in eight—the assessed market value differed from the sale price by more than 20%. Of these, just under half sold for more than 20% above assessed value while just over half sold for more than 20% below assessed value.

In many cases, the difference between assessed market value and actual selling price was substantial. Examples of sale prices that were substantially higher than the property's assessed market value are shown in Figure 4. We noted that some municipal tax revenues have been permanently lost for the properties sold in 2007 because of the three-year statutory limit on retroactive reassessment of property and levying of tax for reassessed properties.

Examples of sale prices that were substantially lower than the property's assessed value are given in Figure 5.

As well, senior Corporation officials advised us that they expected staff to investigate any instance where the difference between assessed value and

Figure 4: Examples of Sales Prices that were Substantially Higher than the Property's Assessed Market Value

Source of data: Municipal Property Assessment Corporation

Jan. 1, 2008 Assessed Value ($)	Date Sold	Selling Price ($)	Difference	
			$	%
588,000	May 2008	1,425,000	837,000	142
874,000	Nov 2007	2,099,056	1,225,056	140
714,000	Apr 2008	1,635,000	921,000	129
654,000	Mar 2008	1,382,000	728,000	111
795,000	Mar 2008	1,650,000	855,000	107
743,000	Dec 2007	1,500,000	757,000	102
690,000	Jun 2007	1,200,000	510,000	74

Figure 5: Examples of Sales Prices that were Substantially Lower than the Property's Assessed Market Value

Source of data: Municipal Property Assessment Corporation

Jan. 1, 2008 Assessed Value ($)	Date Sold	Selling Price ($)	Difference $	%
330,000	June 2008	100,000	230,000	70
217,000	May 2007	85,000	132,000	60
335,000	Oct 2008	150,000	185,000	55
223,000	May 2008	120,000	103,000	46
343,000	May 2007	212,000	131,000	38

selling price exceeded 30% and, where warranted, to make adjustments to assessed values. However, there was no formal requirement to carry out such investigations and it was unclear on what basis the 30% threshold had been determined.

The above notwithstanding, we found that for all 1,400 properties in our sample where the sales value differed by more than 20% in either direction from the property's assessed value (including all of the above examples, where the differences ranged from 35% to 142%), the Corporation had not investigated the reasons for these differences and had made no adjustment to the assessed values of these properties as of the end of our fieldwork in April 2010.

It is important to note, however, that our own discussions with the Association of Municipalities of Ontario indicated that municipalities were generally satisfied with the assessment-roll information that the Corporation provides.

RECOMMENDATION 1

To help ensure that individual properties are assessed in accordance with the *Assessment Act* at the amount that a willing buyer would pay to a willing seller, the Municipal Property Assessment Corporation should:

- formally establish a threshold above which differences between a property's sale price and its assessed market value must be investigated within a reasonable period of time; and
- where warranted, adjust the property's assessed market value accordingly.

[illegible]

We agree with the Auditor General's recommendation. As the Auditor General noted, the Corporation already has a requirement in place for field-office staff to conduct a sales investigation when the sale price of a property differs from its assessed value beyond a certain amount. The requirement for conducting a sales investigation will be reviewed by October 2010 and will likely incorporate such additional factors as the date of the most recent inspection, existence of outstanding building permits, and whether the property is atypical for the neighbourhood.

Where necessary, the Corporation will make adjustments to a property's assessed value as a result of a sales investigation.

BUILDING PERMITS

One factor that can push a property's assessed value significantly higher, particularly relative to other nearby properties, is the completion of an addition or a major renovation. Municipalities provide the Corporation with copies of building permits they issue so that it can inspect these properties and reassess them as required.

We understand that only one of the Corporation's 33 regional offices receives formal notification from its municipalities that building-permit work has been completed. At the other 32 regional offices, the onus is on the Corporation itself to determine whether building-permit work has been completed and to conduct inspections of these properties in a timely manner to ensure that any required reassessment is done as soon as possible and at least within the statutory three-year window for retroactively assessing property tax, which includes the current calendar year plus the two preceding calendar years.

As of December 31, 2009, there were almost 18,000 residential building permits (including multi-unit residential properties), each worth more than $10,000, that had been issued more than three years ago. The total value of these permits was approximately $5.1 billion.

Our review of a sample of these building permits from across the province found that:

- For 30% of the permits, the Corporation had not determined whether the work was completed within the three-year limitation period for retroactively reassessing a property and levying tax.
- For 24% of the permits, a "scouting" visit had been made that determined the work had been completed. However, a full inspection of the property had not been performed and the assessed value had not been updated within the three-year limitation period for retroactively reassessing a property and levying tax.
- Scouting visits made for 46% of permits determined that construction work had not been completed.

RECOMMENDATION 2

To help ensure that inspections of properties for which a building permit has been issued are completed on a timely basis so that retroactive assessments and tax can be levied as soon as possible and certainly before statutory limits expire, the Municipal Property Assessment Corporation should:

- **ask all municipalities in the province to provide the Corporation with formal notification when the work with respect to a building permit has been completed; and**
- **inspect and reassess the market value of all such properties before statutory limits on collecting additional tax expire.**

The Corporation will ask municipalities to provide this information. However, there is currently no legislative requirement for municipalities to do so. When asked in the past, municipalities cited privacy, a lack of resources, and other concerns in turning down the requests. We will also discuss the Auditor General's recommendation with the Ministry of Finance in light of the legislative change needed to make it mandatory for municipalities to provide this information.

We also note that, in early 2009, the Corporation and municipal representatives formed a working group to address this issue. The goal of the working group is to encourage all municipalities to provide the Corporation with timely and comprehensive building information. The working group expects to complete its deliberations by December 2010.

The Corporation will focus on inspecting properties for which a building permit has been issued and ensure that all eligible assessments are added to the assessment rolls in a timely fashion and within statutory limits.

REQUESTS FOR RECONSIDERATION AND ASSESSMENT REVIEW BOARD APPEALS

A Request for Reconsideration (RfR) of a residential property assessment may be filed only by the property owner or his/her legal representative. The deadline for submitting an RfR of a regular assessment notice is March 31 of the related tax year. If a property is reassessed during the year, the deadline for such a supplemental assessment notice is 90 days after the mailing of the notice. Ontario legislation requires that RfRs be in writing and indicate the reasons why the applicant wants a review of the assessment. There is no fee to file an RfR.

The Corporation is required to make a decision and respond to an RfR of a regular assessment by

September 30 of the tax year, unless the property owner and the Corporation agree to an extension, in which case the deadline is November 30 of the same tax year. The Corporation must make a decision and respond formally to RfRs of supplemental notices of assessment within 180 days of receipt of the RfR.

RfR property reviews are conducted by valuation-review specialists within each of the Corporation's 33 regional offices. Although there are no minimum work requirements for conducting an RfR review, a guideline that includes suggested steps and other related training was provided to valuation review specialists for the 2009 tax year.

Property owners filed approximately 138,000 RfRs in 2009, equal to about 3% of the total number of residential properties. We noted that province-wide for the 2009 tax year, 45% of all RfRs resulted in a reduction to an assessment that averaged 12% of the originally assessed amounts.

Our review of a sample of RfR files found that:

- for the 2006 to 2008 tax years, one in four RfR files did not contain any documentation to support the outcome of the review; and
- for the 2009 tax year, RfR file documentation was much improved and generally supported the outcome of the review, with only a few exceptions.

We noted that, although managers are required to review the files for RfRs that result in an assessment reduction of more than 15%, almost half of these files contained no evidence of the required managerial review. In addition, there was no requirement for managers to review, and in most cases managers had not reviewed, any RfR files that resulted in either no reduction or reductions of less than 15% of the assessed market value.

We also noted that for the 2008 tax year, residential property owners filed 980 appeals with the Assessment Review Board, 127 of which had previously been the subject of an RfR. The outcomes of these appeals were as follows:

- 22% of all appeals resulted in reductions to a property's market-value assessment averaging 10% of the originally assessed amount; and
- 30% of the appeals that had previously been the subject of an RfR resulted in reductions to the assessment averaging 14% of the originally assessed amount.

RECOMMENDATION 3

To help ensure that the merits of Requests for Reconsideration (RfRs) are properly assessed, and that the adjustments to the property's assessed market value are adequately supported, the Municipal Property Assessment Corporation should:

- **establish mandatory requirements for conducting and documenting RfRs; and**
- **on a sample basis, conduct and document managerial file reviews of all RfRs, including those that result in no assessment changes, to ensure compliance with suggested requirements for conducting an RfR.**

[illegible]

We agree with the Auditor General's recommendation. Mandatory requirements for conducting and documenting Requests for Reconsideration (RfRs) were implemented in October 2009 and were effective for the 2010 tax year. The mandatory requirements will be regularly reviewed and assessed for compliance.

The Corporation will also incorporate a managerial review process for all RfRs, including those that result in no assessment changes, on a sample basis.

INSPECTIONS

As previously noted, the Corporation's assessment model estimates a property's market value based on sales of comparable properties in the same market area. To do this, the Corporation maintains an extensive database of up to 200 attributes for each residential property. Some of the key attributes for determining property comparability and, hence, estimated market values include:

- property location;
- lot size;
- building size, including finished basements;
- quality of construction;
- age and condition of buildings; and
- amenities such as garages, pools, fireplaces, central air conditioning, and extra bathrooms.

With the exception of property location and lot size, a property's other key attributes often change over time. The Corporation therefore needs to continuously ensure that the property information in its database is as complete and up to date as possible. It does so primarily through its property-inspection function.

Property Inspection Cycle

The Corporation did not have an established inspection cycle for residential properties prior to the release of the Ombudsman's report in 2006. As a result of a recommendation in that report, it established an inspection cycle in 2007 requiring that every property in the province be inspected at least once every 12 years. We noted that this cycle is somewhat longer than those in other jurisdictions that use market-value assessments and disclose this information publicly, and significantly longer than the International Association of Assessing Officers' recommendation that each property be reviewed every four to six years.

The Corporation was unable to provide us with accurate or meaningful information about the number of property inspections actually completed. For example, although it advised us that it had performed 272,000 property inspections across the province in 2009, we found this number to be significantly overstated for several reasons, including:

- Individual properties for which multiple building permits were issued were treated as multiple inspections—one for each permit—even though inspectors may only have made a single visit to the site.
- Many of the properties for which one or more inspections were recorded were in fact not inspected at all. For example, based on our review of a sample of inspection files, many recorded inspections were in fact "permit scouting" visits, essentially an inspector driving by the subject property without actually stopping to carry out an inspection.

We also noted the following:

- Province-wide, over 1.5 million residential properties—about one in three—have not been inspected or had their property attributes otherwise updated in more than 12 years. In one office we visited, that figure was almost one in two.
- For the four offices we visited, the vast majority of the reported inspections during the last two years related to properties for which a building permit was issued or for which an RfR or an Assessment Review Board appeal was filed. In fact, two of the four offices we visited did not select any other properties for cyclical inspection during that time.
- The two offices that did select other properties for inspection did not in the vast majority of cases select those at highest risk of under- or over-assessment based on, for example, high or low sale-price-to-assessed-market-value ratios.

RECOMMENDATION 4

To help ensure that the property information in its database is as complete and up to date as possible, and that it has reliable information with respect to inspections completed, the Municipal Property Assessment Corporation should:

- require that each regional office select annually at least some properties for an inspection based on the assessed risk of under- or over-assessment with a view to working toward meeting its 12-year inspection cycle; and

- maintain accurate and meaningful information with respect to the number and type of inspections completed (for example, sales investigations, building permits, and new constructions).

[illegible]

We agree with the Auditor General's recommendation. A corporate plan to inspect some properties based on the assessed risks of under- or over-assessment as part of the 12-year inspection cycle is in place, and a corresponding work plan for each office will be established annually. Inspections of properties included in the 12-year inspection cycle will comply with the International Association of Assessing Officers' definitions for a physical review and acceptable alternatives including, but not limited to, digital imagery and neighbourhood reviews. We note that this may require additional resources.

The Corporation will clearly record in its central database the number and type of inspections completed as well as visitation and other types of property-information-validation methods used.

Inspector Workloads

The number of residential properties, inspectors, and the average number of properties per inspector for the province as a whole and for the four offices we visited are detailed in Figure 6.

As Figure 6 illustrates, the average number of properties per inspector varied significantly between the four offices we visited and, in two offices, it varied significantly from the provincial average.

There are currently no effective systems or requirements in place to monitor and assess the productivity of inspectors. However, we were advised that the Corporation has established an informal guideline that requires inspectors to complete between five and 11 inspections per day, depending on the type of inspection undertaken and the type of property inspected. We found that, in practice, the average number of daily inspections each inspector was reported as having completed for the last two years, both on a provincial basis and for the four offices we visited, was approximately five, but was as low as three in some other offices.

Figure 6: Inspectors per Residential Property in 2009

Source of data: Municipal Property Assessment Corporation

	# of Properties	# of Inspectors	# of Properties per Inspector
Ontario	**4,241,809**	**233**	**18,205**
Toronto	641,384	25	25,655
Richmond Hill	304,861	23	13,255
St. Catharines	155,187	8	19,398
Thunder Bay	111,953	6	18,659

Assuming that inspectors continue to complete an average of five inspections per day and assuming no further growth in the number of residential properties, the actual inspection cycle on a provincial basis would be approximately 18 years. In the four offices we visited, it would range from about 13 to 25 years.

We also noted that the Ombudsman's 2006 report recommended that the Corporation review its staffing needs to determine whether staffing strategies can be identified and pursued for improving the accurate collection of property data. As a result of that recommendation, the Corporation improved training requirements and hired temporary contract staff to inspect properties. However, although the total number of inspectors peaked at approximately 320 in 2007, it has steadily dropped since then to about 230 as of the end of our audit in April 2010.

Quality of Inspections Performed

Information provided to us by the Corporation indicated that approximately one in four inspections resulted in a change to the property's assessed market value of greater than $10,000, or 5% of its previously assessed market value. However, the total increase in assessed market value is not known.

The requirements for conducting a residential-property inspection are clearly documented in the Corporation's Residential Data Collection and Sales Investigation Manual. Typical requirements include:

- creating a sketch based on exterior measurements (either on paper or electronically);
- observing and recording building details, such as roof style and finish, character of construction, presence of air conditioning, and so on; and
- describing and recording all necessary details on secondary structures, such as porches and pools.

However, the manual does not specify the minimum requirements for documenting residential-property inspections to demonstrate that the required work has been adequately completed. Our review of a sample of inspection files found some that were generally well documented and clearly indicated what work had been completed and what adjustments had been made as a result. There was, however, inadequate documentation in the vast majority of files we reviewed, and no documentation at all in some, to demonstrate what work, if any, was completed and what adjustments were made.

RECOMMENDATION 5

To ensure that inspections are conducted efficiently and are adequately completed and documented, and support the changes to a property's assessed value, the Municipal Property Assessment Corporation should:

- regularly monitor and assess the productivity of inspectors with respect to both the quality and average number of inspections being done each day;
- ensure that files are documented in compliance with acceptable standards and clearly demonstrate what work was completed and what assessment changes were made as a result; and
- oversee the success of each regional office in meeting the 12-year inspection-cycle target.

[illegible]

As a result of the Auditor General's findings in this area, we will review our current practices for monitoring and assessing inspector productivity and the quality of inspections completed with a view to strengthening file documentation and the reporting of assessment changes. In that regard, the Corporation recently initiated time studies to benchmark productivity and quality of work performed by its inspectors.

The Corporation is already electronically tracking work completed and assessment changes in four of its larger offices (Mississauga, Oshawa, Peterborough, and Richmond Hill) with a view to rolling out this solution to all offices. In addition, the Corporation will conduct periodic internal reviews to monitor progress in achieving the 12-year inspection cycle.

Quality Control for Inspections Completed

For inspections that do result in a change to assessed value, there are supposed to be two distinct quality-control processes:

- Every inspection file must receive a supervisory review and approval by another inspector in the regional office.
- A corporate quality-control unit reviews a small sample of inspection files and re-inspects the subject property.

We believe that if done properly, these two processes would be adequate to provide a reasonable level of oversight in cases where an inspection results in a change to the assessed value. However, we noted the following:

- Reviewers must prove they performed supervisory reviews by signing off on a process-control sheet. In many cases, however, that sheet was not completed and there was no

other evidence to indicate what supervisory review work, if any, had been done.
- Over the last three years, the corporate quality-review function examined a small sample of files and found, on average, that 10% of the files it reviewed contained errors. Correcting these errors resulted in increases of more than 5% above the originally assessed value, which the Corporation considers significant. These results indicate that corporate-level reviews are operating effectively but that local-office reviews need improvement.

Even though the vast majority of inspections leave property assessments unchanged, the Corporation has no quality-control or other oversight process, either at the corporate or the regional level, to review a sample of inspections that resulted in no change to a property's assessed value.

RECOMMENDATION 6

To enhance the effectiveness of the current quality control function, the Municipal Property Assessment Corporation should:

- ensure that supervisory reviews of inspection files are properly completed and adequately documented as required; and
- include in its review process some inspection files that did not result in a change to a property's assessed value.

[illegible]

We agree with the Auditor General's recommendation. The Corporation will review and update its quality-control procedures and ensure that supervisory reviews of inspection files are properly completed and adequately documented. The Corporation will also ensure that inspection files that did not result in a change to the property's assessed value will be included in its review process.

EXPENDITURES

Historically, the government has had a number of directives with respect to the acquisition of goods and services, and the reimbursement of travel, meal, and hospitality expenses, which government ministries and Crown agencies must follow. At the time of our audit, for example, government directives for the procurement of goods and services contained very specific requirements and accompanying documentation with respect to such things as:

- establishing the need for the goods and services to be acquired;
- assessing alternatives to be considered for fulfilling the need for goods and services;
- a competitive acquisition process for goods and services that cost more than established thresholds;
- contracting, including establishing and documenting measurable deliverables and time frames;
- the payment process to ensure that payments are made only for goods and services actually received; and
- evaluating contractor performance.

However, the Corporation is not a Crown agency, so the government's directives have not historically applied to it and the Corporation was never asked to follow them. As a result, the Corporation was given the discretion to develop its own policies and procedures with respect to the acquisition of goods and services and the reimbursement of travel, meal, and hospitality expenses for the period we audited. With respect to the desirability of having the Corporation's purchasing policies and procedures meet the spirit and intent of the government directives, we noted that this has never been communicated either through the Memorandum of Understanding between the Corporation and the Ministry of Finance, or through their respective staff.

In the latter half of 2009, after procurement practices at eHealth received significant public attention, the Ministry of Finance did notify the Corporation and other agencies of the need to comply with the government's procurement directive and its Travel, Meal and Hospitality Expenses Directive. With respect to consulting services, for example, mandatory requirements now include the use of competitive procurement processes for all consulting services regardless of cost, with limited allowable exceptions for non-competitive procurement. In circumstances where a non-competitive procurement of consulting services is undertaken, agencies such as the Corporation are now required to secure approval from both the deputy minister and the minister for assignments valued in excess of $100,000, and from Treasury Board/Management Board of Cabinet for assignments valued in excess of $1 million.

On an overall basis, the Corporation has made some headway in controlling staffing and other costs, especially given that the number of properties in the province has increased by about 20% since its inception in 1998. We also found that the Corporation had established reasonable requirements for determining the need for goods and services, and for acquiring them competitively, which were generally comparable with those of the government of Ontario. Corporation policies regarding the reimbursement of travel, meal, hospitality, and other miscellaneous expenses, while less restrictive than those of the government, were generally reasonable. However, requirements for contracting, processing payments to consultants and contractors, and contractor evaluations were either non-existent or largely ineffective.

Our review of a wide variety of expenditures for goods and services found that the Corporation did not comply with good business practices or with its own mandatory policies and procedures, where such existed. As a result, the Corporation was unable to demonstrate—and we were unable to determine—whether, for example, amounts were paid only for goods and services actually received and, ultimately, that they represented value for money spent. In addition, we noted many instances where reimbursements for travel, meal, hospitality, and other expenses appeared excessive or otherwise inappropriate in our view. Our specific comments are detailed as follows.

Establishing the Need for Goods and Services

The Corporation spent more than $50 million in each of the last five years to acquire goods and services. Its internal procurement policy states that goods and services can be acquired only after certain requirements have been met. These include:

- establishing a clear definition of the business requirements to justify the acquisition;
- considering alternative ways to satisfy the business requirements and ensuring selection of the most appropriate option; and
- preparing a properly authorized purchase requisition, which provides evidence of the authorization to proceed.

Our review of a sample of acquisitions found that, with few exceptions, there was no evidence of compliance with these requirements. For almost all the acquisitions we reviewed, there was no documentation to justify the acquisition or demonstrate that alternatives had been considered. In addition, the necessary purchase requisition form authorizing the acquisition was either missing or had not been approved in most cases.

Acquisition Process for Goods and Services

To help ensure that all vendors are treated fairly and equitably, and that it obtains value for money spent, the Corporation has established requirements for the competitive acquisition of goods and services. These vary with the type of purchase and the total anticipated cost, as detailed in Figure 7. However, we also noted that Corporation policy permits purchasing procedures other than those described above when appropriate justification is provided.

Our review of a sample of expenditures for goods and services that should have been acquired competitively found that:

Figure 7: Competitive Acquisition Requirements, as of October 2009

Source of data: Municipal Property Assessment Corporation

	Minimum Requirement
Consulting Services	
less than $5,000	single source acceptable
$5,000–$50,000	1 or 2 written quotes
$50,000–$100,000	3 or more written quotes
$100,000 and over	formal tendering
General Goods and Legal Services	
less than $5,000	single source acceptable
$5,000–$50,000	1 or 2 written quotes
$50,000 and over	formal tendering

- For almost half of the acquisitions, there was no evidence that they had been acquired competitively as required. Specifically, there was either no documentation on file to demonstrate how the successful vendor had been selected, or why the acquisition had been single-sourced.
- For over half the acquisitions that had been competitively acquired, the documentation was inadequate to demonstrate what criteria or factors were taken into consideration in selecting the successful vendor. Common documentation deficiencies included:
  - a lack of criteria used to evaluate the proposals;
  - no evaluation or assessment of the proposals, such as completed evaluation sheets; and
  - no rationale for the selection of the successful vendor.

In one instance, for example, a multi-year contract with a potential value of over $450,000 was awarded to a vendor even though the vendor scored zero in all selection criteria and was the lowest-rated bid of the three received. The rationale for selecting this vendor was not documented.

We also noted that the Corporation's purchasing guideline for retaining professional services consultants specifies that total payments to a consultant for a project cannot exceed twice the price of the original agreement. However, we found many instances where contractual agreements for relatively small amounts had not been competitively tendered and were then amended numerous times, thereby substantially increasing the value of the original agreement—in some cases by over $1 million or by as much as 1,500%.

For example, we found instances where the Corporation awarded agreements worth just under $100,000 each to three different contractors with little or no supporting documentation. The agreements were each extended between 12 and 14 times and resulted in total payments of between $1.1 million and $1.6 million. In all three cases, some of the agreement extensions were approved long after the additional work had been completed and paid for.

RECOMMENDATION 7

To ensure that goods and services are acquired only when necessary and are the most appropriate in the circumstances, the Municipal Property Assessment Corporation (Corporation) should comply with its own procurement policy and ensure that each acquisition is:

- justified based on clear business requirements;
- the most appropriate option to satisfy the business requirement under the circumstances; and
- supported by a properly authorized purchase requisition that provides evidence of the authorization to proceed.

To ensure that all vendors are treated fairly and equitably and that it obtains value for money spent, the Corporation should also:

- acquire goods and services competitively in compliance with its own requirements and those of the Ministry of Finance; and
- prepare and maintain, for each transaction, adequate documentation to demonstrate why the successful vendor was selected.

[illegible]

In fall 2009, we reviewed and strengthened our procurement policies, including the delegation-of-authority limits, to ensure compliance with those sections of the province's procurement directive pertaining to "Other Included Entities." All accountable managers had received training on procurement policies by the end of 2009. In January 2010, the Corporation implemented a new Enterprise Resource Planning system that supports multi-level electronic approvals for all purchase requisitions based on our delegation of authority. We will conduct periodic internal audits to report on compliance with these revised policies.

All purchasing documentation for each new contract is now completed and stored in a central file in the Purchasing Unit. This will assist in ensuring that all goods and services are acquired competitively (as appropriate) and that adequate documentation of vendor selection is maintained.

Contractual Agreements

The Corporation only established formal requirements for entering into written contractual agreements with its suppliers in October 2009. Prior to that, the form and content of any written agreement with suppliers was left to the discretion of the person who authorized the transaction—regardless of the size of the anticipated expenditure.

Our review of a sample of documentation supporting contractual arrangements between the Corporation and its suppliers found that:

- For some purchases of up to $300,000, a purchase order was the only document covering the transaction. However, the purchase order is a poor substitute for a contractual agreement because it contains no evidence that its terms were agreed to by the supplier and it lacks many of the usual terms and conditions that would normally be included in a proper written agreement.
- Although written agreements were in place for many of the acquisitions we reviewed, their usefulness was extremely limited for a variety of reasons, including the following:
  - 40% of the agreements were prepared and signed after the goods or services had been delivered and the underlying invoices had been received and paid; and
  - about half the agreements lacked normal prudent business terms and conditions, such as a ceiling price, project deliverables, and associated time frames. Without mutual agreements to cover such issues, it becomes more difficult to monitor the work of the supplier or consultant, and to resolve any subsequent disagreements.

In addition, many of the agreements had been approved by individuals who did not have the authority to do so.

Payments to Consultants

Our review of a sample of paid invoices for consulting services found numerous instances where invoices lacked sufficient detail to assess whether the amounts billed were in compliance with the contractual agreement or for services actually received. For example, Corporation supervisory staff often approved invoices even though they were not supported by individuals' timesheets or by any other documentation on file. As a result, the Corporation was unable to establish the reasonableness of the amounts billed and paid.

Where invoices did contain sufficient detail, we found that:

- In some cases, the hourly rates billed and paid for were higher than those agreed to in the contractual agreement. For example, consulting services that should have been billed at $62.40 per hour were being billed at $75 per hour.

- In most cases, reimbursements for travel expenses were not supported by receipts, even though this was often required by the underlying contractual agreement. For example, in the absence of any supporting documentation, the nature and reasonableness of an $11,000 travel-expense claim by a contractor could not be established.

Contractor Qualification and Performance Evaluation

The Corporation has no requirements for establishing the qualifications of potential suppliers and it only established requirements for evaluating the performance of its suppliers in October 2009. As a result, there were no requirements during the period we audited for assessing the qualifications of potential suppliers and evaluating their performance, except to say that extensions to consulting contracts ought to be made only if the consultant had satisfactorily completed previous work.

For all the agreements we reviewed, the Corporation had not documented its assessment of the qualifications of its suppliers and was unable to provide us with any contractor-performance evaluations, including any for those contractors who had received numerous contract extensions.

RECOMMENDATION 8

The Municipal Property Assessment Corporation should adhere to good business practices by ensuring that:

- **it enters into appropriate written agreements with all of its of suppliers of goods and services and that these written agreements include all the normally expected terms and conditions, such as ceiling prices, expected deliverables, and associated time frames;**
- **all such agreements are approved by individuals with the authority to do so;**
- **supplier invoices contain sufficient detail so that the reasonableness of amounts billed and paid can be assessed; and**
- **it assesses and adequately documents the qualifications and performance of suppliers of goods and services.**

[illegible]

We agree with the Auditor General's recommendation. As part of the implementation of our new procurement and delegation-of-authority policies, the Corporation will ensure adherence to this recommendation and conduct periodic internal audits to assess and report on compliance.

Beginning in January 2010, contract values have been entered into our new Enterprise Resource Planning system when the contracts are established. All subsequent payments for invoices are matched against the agreed-upon contract price.

The Corporation will also establish a process for the evaluation and documentation of supplier qualifications and performance.

Travel, Meals, and Hospitality

Typically, employees claim travel, meal, and hospitality costs on an employee expense claim. In 2009, the Premier asked the external auditors of Ontario's agencies, boards, and commissions to review compliance with provincial policies regarding employee expense claims. Although the Corporation is not a Crown agency, we reviewed a sample of expense claims in light of the Premier's request. Our review of a wide variety of travel, meal, hospitality, and other expenses noted a number of examples that appeared questionable. Our specific comments are detailed as follows.

Travel

We found several instances where senior staff were reimbursed for travel to out-of-province destinations, the circumstances for which were questionable in our view. For example, one individual attended the "North American Conference on Customer Management—Inspiring Relationships for Profitable Growth and Personal Fulfillment" in Anaheim, California. Reimbursed costs for this trip totalled $5,953, including $2,500 for conference registration fees. In addition, staff were reimbursed on numerous occasions for hotel accommodations within close proximity to their normal place of work, which is a violation of the Corporation's employee expense policy.

We noted that the Corporation operates a fleet of approximately 220 vehicles assigned to the various regional offices, primarily for the use of property inspectors. We found that the use of these vehicles was generally well managed and controlled.

Our review of a sample of claims for the use of personal vehicles found that:

- In almost all cases, and contrary to Corporation policy, there was no evidence that the availability and use of a fleet vehicle was considered.
- The validity of one-quarter of the claims for the use of a personal vehicle could not be substantiated because neither the purpose nor the start- and end-points of the trip were provided. For example, one individual was reimbursed $400 for "meetings in Pickering and Muskoka," with no other details provided.

The Corporation also maintains a fleet of 12 boats (for travel to properties not accessible by road) with a total annual operating and maintenance cost of $26,000. Two of these boats were not used at all during 2009, and five were used less than 10 days during the year. Although one of the boats was newly purchased in 2009 for $11,300, the Corporation could not provide evidence that it performed an analysis to determine the number of boats needed and/or other options, such as boat rentals, to meet its needs.

Meals and Hospitality

The Corporation's current meal allowances for employees travelling for work or otherwise conducting corporate business total $38.50 per full day, which is slightly less than the meal allowance of the Ontario Public Service.

The policy also allows reimbursements above these amounts, when supported by original receipts. However, there is no apparent maximum limit.

Our review of a sample of reimbursements for employee claims for meals, hospitality, employee rewards, and customer promotion noted some that appeared either excessive or questionable in our view. For example:

- $955 was reimbursed for a dinner for 12 people at the CN Tower for a "department celebration of year-end results";
- $746 was reimbursed for a staff Christmas lunch for 16 people;
- $550 was reimbursed for a staff lunch for 31 people, who were not identified, aboard a day-cruise boat;
- $625 was reimbursed for 25 restaurant gift cards to be distributed as employee-recognition rewards, with no record of who actually received the gift cards;
- $125 was reimbursed for a fruit tray for the birthday celebration of an executive; and
- $1,700 was reimbursed for Taylor Made golf clubs, Nintendo Wii consoles, and iPod Touch models purchased as promotional gifts, with no documentation as to who received these gifts or why, given the Corporation's mandate, such promotional gifts were needed in the first place.

RECOMMENDATION 9

The Municipal Property Assessment Corporation (Corporation) should consult with the Ministry of Finance to determine whether it is the Ministry's intention to have the Corporation comply with the spirit and intent of the government's

own directive for the reimbursement of travel, meal, and hospitality expenses. As well, the Corporation needs to adopt more rigour in enforcing its travel, meal, and hospitality policies.

[illegible]

On October 2, 2009, the Corporation was advised by the Minister of Finance to comply with the government's Travel, Meal and Hospitality Expenses Directive. The Corporation has updated its policies to align with this directive and will conduct periodic internal audits to assess and report on compliance. In addition, the Corporation has enhanced its guidelines on hospitality and gifts with those of the Ontario Public Service. The Corporation's current policy now also includes mandatory requirements for both on-site and off-site business meetings and events.

The Corporation will rigorously enforce this policy through employee education and training, and through checks conducted by the Corporation's Finance Branch. We will also continue to conduct periodic internal audits to report on compliance. Appropriate action will be taken where warranted in the event of non-compliance.

INFORMATION TECHNOLOGY SYSTEMS

Prior to 1997, property-assessment tax rolls containing market-value-assessment information were prepared by the Ministry of Finance (and predecessor ministries) using its mainframe OASYS computer system. With the passage of the *Municipal Property Assessment Corporation Act, 1997*, the Corporation was established to perform the property-assessment function with, among other things, requirements that it:

- acquire its own office accommodation and facilities;
- manage its staffing needs; and
- develop its own stand-alone computerized information system, including the capability to maintain property information and prepare assessment rolls.

To assist in the transition, the Ministry of Finance entered into a Memorandum of Understanding with the Corporation that provided the Corporation with access to the Ministry's mainframe computer system until October 31, 2001, for a fee of about $3.5 million per year, or a total of approximately $17.5 million from 1997 to 2001.

The Corporation initiated a number of projects in an attempt to develop its own computerized property-information system as follows:

- In 2000, the Corporation initiated the Mainframe Elimination (MFE) project to develop its own computerized property-information system by October 31, 2001. This project was unsuccessful and the Corporation was unable to provide us with the business case or the approved budget for it.
- In early 2002, the Corporation initiated the Integrated Valuation Solution (IVS) project, which was to build on the previous MFE project. The Corporation's board of directors approved the IVS project based on a proposed budget of $4.8 million and an expected completion date of June 2003. The expectation was that IVS would give the Corporation the computerized capability to assess all types of properties, including residential, farm, multi-residential, commercial, and industrial.
- In late 2002, the Integrated Property System (IPS) project replaced the previous MFE and IVS projects. The Corporation's board of directors approved the IPS project based on a proposed budget of $6.2 million (a total of $5.1 million had already been spent on MFE and IVS) and an expected completion date of December 31, 2003.

The portion of IPS relating to residential and farm properties was completed in 2007. However, the portion of IPS relating to commercial, industrial, and multi-residential properties, as envisioned in the IVS and IPS projects, remains uncompleted. (We understand that the Corporation is currently in the process of examining the feasibility of acquiring this capability.) Instead, staff continue to use spreadsheets from an older system.

Even though a significant component of the required information technology system has not been completed, total costs to date have significantly exceeded project budgets, as detailed in Figure 8.

Although the IPS cost significantly more than originally anticipated to develop, its current functionality has a number of shortcomings, which have resulted in:

- regional offices having to use older spreadsheets for valuing many of the commercial, industrial, and multi-residential properties, and for tracking the Corporation's routine business activities, such as property inspections and processing property severances and consolidations; and
- users throughout the province being limited to read-only access to the system for a three-week period over November and December each year as the Corporation prepares its annual assessment rolls, severely limiting its ability to conduct normal operations, such as updating property attributes. By comparison, the Ministry of Finance's old OASYS system carried out shutdowns on a rolling basis and usually for just one to three days per region.

We also noted that no estimate has been made for the cost of any future system development to accommodate commercial, industrial, and multi-residential property assessments.

Both a review conducted by the Ministry's Central Agencies I&IT Cluster and our own review of project files and discussions with the Corporation staff found that a number of factors contributed to the significant cost overruns and delays in project completion. These included:

- original business cases that were vague in addressing the scope of the projects and established insufficiently detailed project deliverables and cost estimates;
- inadequate financial analysis to support the business cases;
- significant budget increases approved without adequate support and project expenditures insufficiently tracked; and
- the use of outside consultants almost exclusively to manage and staff all projects.

These concerns were compounded by the relatively weak contracting processes and expenditure controls identified earlier in this report. The Corporation should address these weaknesses as it continues to assess its options for developing future information technology system capabilities.

Figure 8: Budgeted and Actual Costs of Computer Projects, as of December 31, 2009

Source of data: Municipal Property Assessment Corporation

Project	Approved Budgeted Costs ($)	Actual Costs Incurred ($)
MFE	unknown	1,700,000
IVS	4,800,000	3,400,000
IPS	6,200,000	28,600,000
Total Project Costs	**11,300,000**	**33,700,000**
additional Ministry of Finance charges for mainframe use after 2001	7,000,000	17,400,000
Total	**18,300,000**	**51,100,000**

Chapter 3

Section

3.09

Ministry of the Environment

Non-hazardous Waste Disposal and Diversion

Background

Non-hazardous waste includes non-recyclable and recyclable materials (for example, paper, plastics, aluminum, polystyrene, and organic waste such as kitchen waste and yard waste) generated by households and businesses and organizations in the industrial, commercial, and institutional (IC&I) sector (such as manufacturers, restaurants, hotels, hospitals, offices, retail outlets, and construction and demolition projects). Approximately 12.5 million tonnes of non-hazardous waste is generated in Ontario annually. The IC&I sector generates about 60% of this waste, and households—that is, the residential sector—generate 40%.

The two primary ways non-hazardous waste can be managed are through disposal or by diversion. The waste can be disposed either by depositing it in a landfill or by other means, such as incineration (also referred to as thermal treatment). Approximately two-thirds of the province's waste that is disposed is deposited in landfills in Ontario; the majority of the remaining waste is shipped to landfills in the United States (mainly in Michigan and New York state). Only a small portion (about 1%) is incinerated. Diversion (from landfills) of non-hazardous waste can be achieved through reducing, reusing, or recycling the waste that is generated.

Municipal governments are generally responsible for managing waste generated by the residential sector. They collect residential waste and recyclable materials (except in most multi-unit residential buildings); operate waste management sites, facilities, and systems; and set targets for waste disposal and diversion in their respective jurisdictions. The IC&I sector and most multi-unit residential buildings are responsible for managing the waste they produce. These organizations contract private-sector companies to collect and transport their waste either to landfills in Ontario or the United States or to recycling facilities (which may be operated by a municipality or by a private-sector waste management company).

The Ontario government, primarily through the Ministry of the Environment (Ministry), is responsible for setting standards for the management of non-hazardous waste through legislation and regulations and for enforcing compliance with these legislative requirements. In Ontario, the management of non-hazardous waste is governed primarily by the *Environmental Protection Act* (EPA), the *Environmental Assessment Act* (EAA), and the *Waste Diversion Act, 2002* (WDA). The Ministry is also responsible for approving new municipal and private-sector waste management sites, facilities, and systems (land, buildings, and equipment used in the collection, handling, transportation, storage, processing, or disposal of waste) and for ensuring that these operations comply with legislative requirements. For major undertakings, an environmental assessment must be completed and submitted to the Ministry. The Ministry reviews the assessment and evaluates the overall potential impact of the undertaking. Only when it gives its approval can the project proceed.

The Ministry's Waste Management Policy Branch develops policies, regulations, and legislation to increase diversion and ensure effective management of waste that is not diverted. The Environmental Assessment and Approvals Branch manages environmental assessments and reviews and issues certificates of approval. Compliance staff at the Ministry's district offices and in its Sector Compliance Branch perform inspections to ensure compliance with non-hazardous waste legislation and ministry policy.

Under the WDA, the provincial government has established an arm's-length organization, governed by a board of directors, called Waste Diversion Ontario (WDO). The key responsibility of WDO is to develop, implement, and operate waste diversion programs for certain wastes, as designated by the Minister of the Environment, and to monitor the effectiveness and efficiency of those programs. It does this in conjunction with an Industry Funding Organization (IFO) comprised of industry "stewards"—brand owners and first importers of products that generate the waste. At the time of our audit, WDO was responsible for the diversion of four wastes designated by the Minister: municipal blue box waste, municipal hazardous or special waste (for example, paint, solvents, oil filters, single-use batteries, antifreeze, fertilizers, pressurized containers, and pesticides), waste electrical and electronic equipment, and used tires. Three IFOs had also been established: Stewardship Ontario, for blue box waste and municipal hazardous or special waste; Ontario Electronic Stewardship, for waste electrical and electronic equipment; and Ontario Tire Stewardship, for used tires.

Diversion programs for the designated wastes are funded entirely or partly through fees charged to industry "stewards" based on their respective market share for their products. For example, even though municipalities are responsible for managing blue box waste generated in their respective jurisdictions, the total net cost of the blue box program is to be equally shared between municipalities and the "stewards" whose products generate the waste. For the other three designated wastes, the full responsibility for developing, implementing, and funding the cost of the diversion programs lies with WDO and the industry "stewards."

Audit Objective and Scope

The objective of our audit was to assess whether the Ministry has adequate procedures in place to encourage the sound management of non-hazardous waste, including compliance with related legislation, regulations, and policies, and to reliably measure and report on its effectiveness in this regard.

Our audit followed the professional standards of the Canadian Institute of Chartered Accountants for assessing value for money and compliance. We set an objective for what we wanted to achieve in the audit, and developed audit criteria that covered the key systems, policies, and procedures that should be in place and operating effectively. We discussed these criteria with senior management at the Ministry. Finally, we designed and conducted tests and procedures to address our audit objective and criteria.

Our audit included visits to the Ministry's head office and to district offices in four of its five regions, where we interviewed staff and reviewed pertinent files. We also met with staff at WDO. Given that the province's municipalities are responsible for managing residential waste, we conducted a survey of Ontario municipalities with populations greater than 15,000, to which over 60% responded. The survey's overall objective was to obtain information on the challenges these municipalities face in managing residential waste generated in their respective jurisdictions. We met with representatives from eight large municipalities to further discuss their survey responses, and also met with representatives from the Association of Municipalities of Ontario, the Ontario Municipal Waste Association, and the Ontario Waste Management Association. We also visited a municipal landfill, a composting facility, and a facility for recovering recyclable materials.

We researched non-hazardous waste management practices in other Canadian provinces and in European Union jurisdictions. Two Canadian provinces, British Columbia and Nova Scotia, have a much higher overall non-hazardous waste diversion rate than Ontario, and therefore we visited these two provinces and met with representatives from their respective environment ministries to better understand non-hazardous waste management practices in these two provinces.

The Ministry's Internal Audit Services had recently issued one report on the Ministry's environmental assessment process, which we reviewed. As well, we reviewed recent reports issued by the Environmental Commissioner of Ontario. We considered the relevant issues noted in these reports in determining the scope and extent of our audit.

Summary

In 2004, the government set a goal of diverting 60% of Ontario's waste from being disposed in landfills by the end of 2008. Based on the latest information available at the time of our audit, the combined diversion rate of waste generated by the residential and industrial, commercial, and institutional (IC&I) sectors was about 24%. In this regard, Ontario ranks sixth among the provinces and is well behind most European jurisdictions, considered leaders in waste diversion. Many of the issues that the government identified in 2004 as keys to achieving 60% waste diversion by the end of 2008 have yet to be successfully addressed. Waste diversion in the residential sector, at about 40%, has increased fairly substantially since 2002, but this increase has been offset by a drop in the IC&I sector's diversion rate. Our specific observations are as follows:

- Municipalities, generally responsible for managing residential waste, and households are making progress in diverting waste away from landfills. However, although their overall diversion rate for residential waste is about 40%, we found that individual municipalities' diversion rates reported to us varied significantly, from about 20% to more than 60%. This is mainly due to differences in the frequency and quantity of disposable waste collection and differences in blue box recyclable materials that are collected. In addition, only about 15% of Ontario's municipalities have instituted an organic waste-composting program, which, in total, collect from about 40% of the province's households. The differences in municipalities' waste management practices are predominantly driven by the following key factors:
  - *Whether a municipality can market its blue box and organic recyclable waste.* Municipalities compete with each other and with the private sector for markets for recyclable waste. The larger municipalities, which can generate significant volumes, are more successful at securing markets than the smaller municipalities and therefore can encourage greater recycling.
  - *Cost.* On average, municipalities reported that the cost of diverting a tonne of blue box recyclable materials was about 40% higher than the cost of disposing a tonne of waste in a landfill. Over half of the municipalities that responded to our survey indicated that the funding they received under the current cost-sharing formula with industry "stewards" to offset some of

  the costs they incur for running the blue box program was not sufficient.
  - *Landfill capacity that is available to a municipality.* In theory, when waste is collected less often and when bag limits are imposed, residents typically divert more waste. For example, one municipality indicated that by collecting recyclable materials weekly and disposable waste every two weeks while imposing a bag limit, it was able to increase its diversion rate by about 20%. But the responses to our survey indicated that the municipalities that have sufficient landfill capacity are less likely to limit the frequency of waste collection and impose a bag limit on residents.
  - *Residents' preferences.* Municipal councils are well aware that their constituents want a higher level of waste pickup service and no bag limits regardless of the impact on waste diversion.
- The IC&I sector generates approximately 60% of the waste in Ontario, but only manages to divert about 12% of its waste. Regulations under the *Environmental Protection Act* (EPA) require large generators to conduct a Waste Audit, prepare a Waste Reduction Work Plan, and implement programs to source-separate waste for reuse or recycling. However, the Ministry has little assurance that the regulations are being complied with for the following reasons:
  - The Ministry of the Environment (Ministry) does not have adequate information on the number of businesses or organizations to which the regulation applies nor which segments of the IC&I sector generate the largest amount of waste so that it may target them for inspection.
  - In half of the inspection files we reviewed, there was no evidence that the ministry inspector had reviewed either the Waste Audit or the Waste Reduction Work Plan.
  - The inspections do not assess the extent to which IC&I-sector businesses and organizations have actually acted on their plans or whether the plans have resulted in an increase in the amount of waste diverted.
  - The inspections do not assess the effectiveness of a facility's source-separation program in increasing waste diversion and whether the waste that has been source-separated is actually being processed for recycling.

  By comparison, British Columbia and Nova Scotia, two provinces with much higher diversion rates in the IC&I sector, have taken a somewhat different approach and have, to varying degrees, implemented a ban on landfilling recyclable materials. Such bans largely restrict IC&I-sector waste generators from mixing recyclable materials with waste, because landfills can no longer legally accept recyclable materials.
- Organic waste generated by both the residential and IC&I sectors represents almost one-third of the total waste generated in Ontario, but there is no province-wide organic waste diversion program or target, despite the Ministry's having considered establishing a program as early as 2002.
- Manufacturers and importers of tires along with those whose products generate electronic and household hazardous waste pay a fee to cover the cost of either diverting these products from landfills or safely disposing of them at the end of their lifecycle. These manufacturers and importers may pass on this cost to retailers, who in turn may pass the cost on to consumers. The underlying legislation does not require that, if retailers choose to include this cost in the product selling price, it be shown separately as such on the customer receipt.
- One in five municipalities that responded to our survey felt that they had insufficient landfill disposal capacity for their residential

waste. As well, the existing capacity will be filled more quickly once export of residential waste to Michigan largely ends after 2010 and an additional 1 million tonnes of this waste previously shipped to that state is deposited in Ontario landfills annually. Opening new landfills within municipalities is not always a viable option, both because they are costly and because residents do not support new landfills.

- The Ministry inspects landfills and non-hazardous waste management sites, facilities, and systems against the conditions of their certificate of approval. But we noted that many of these certificates do not reflect changes in standards. Also, in our review of inspection files, we found numerous examples of non-compliance with the certificates' conditions had been noted, but that many of these were not being followed up on a timely basis to ensure that the required changes were made.

[illegible]

Ensuring that Ontario's waste is managed in a way that is protective of human health and the environment is a key priority for the Ministry. We are committed to ensuring that our non-hazardous waste program encourages diversion, promotes reduction, and ensures that opportunities for increased reuse and recycling are available.

The Ministry has been implementing a framework that focuses on reducing the production of waste and promoting the reuse, recycling, and proper management of waste. Our comprehensive regulatory regime consists of stringent rules and conditions for the development and operation of landfill sites, as well as conditions of approval for all waste disposal sites and haulers of waste.

In addition to this regulatory approach, the Ministry has developed successful waste diversion programs that focus on the core principles of reducing, reusing, and recycling. Recycling programs like the blue box program have been increasingly successful in diverting materials from landfill.

The Ministry is also looking ahead and exploring opportunities for alternative waste management solutions, including recently introduced programs focused on diverting electronics and used tires. The Ministry is committed to improving its non-hazardous waste program and appreciates the recommendations of the Auditor General to assist in continuous improvement.

Detailed Audit Observations

WASTE DIVERSION

Ontario's Waste Diversion Goal

Recognizing that an expanding economy and a growing population are placing additional demands on Ontario's natural resources, in 2004, the provincial government proposed to take a more comprehensive approach to waste diversion—an approach that would reduce the amount of waste generated, as well as increase the rates of reuse and recycling, thereby reducing the amount of waste being disposed of in landfills. It issued a document titled "Ontario's 60% Waste Diversion Goal: A Discussion Paper" which stated that "to achieve the results Ontarians need in waste management, the provincial government is setting a goal of diverting 60% of Ontario's waste from disposal by the end of 2008."

The paper, which at the time of our audit was still on the Ministry's website, identified a number of issues that needed to be addressed if the province was to be successful in reaching its goal:

- creating "a sense of public ownership of the need to manage our wastes differently than we do now";

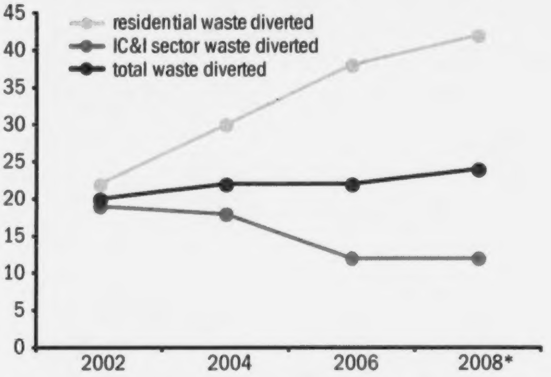
- addressing some of the obstacles to waste diversion, including recognizing that disposing waste in a landfill is currently cheaper than recycling the waste;
- building sustainable markets for recyclable materials, especially in the case of organic waste (which requires not only a sustainable market for the compost generated but also better collection and processing technologies);
- more effective enforcement of regulations under the various acts that govern the management of non-hazardous waste, as well as greater certainty and timeliness of environmental approvals, to help IC&I enterprises in meeting new waste disposal and diversion objectives; and
- the need for a province-wide waste diversion strategy, without which Ontario will fall far short of the diversion goal.

The province recognized at the time that waste diversion has many economic benefits. Specifically, by reducing the need for landfills, waste diversion avoids the costs of siting and constructing landfills, as well as the long-term operating and maintenance costs associated with landfills. Also, waste diversion contributes to economic development and job creation by creating or expanding businesses that collect, process, and broker recyclable materials, as well as companies that manufacture and distribute products made with recyclable materials.

As seen in Figure 1, which is based on the most recent data available at the time of our audit from Statistics Canada and the Ministry of the Environment, Ontario's overall waste diversion rate was only about 24%, far below the target of 60% diversion by the end of 2008. The residential sector's diversion rate was about 40%, while the IC&I sector's diversion rate, as reported to Statistics Canada by waste management companies, was only 12% . (This percentage is for 2006. The diversion rate in the IC&I sector for 2008 was originally scheduled to be released by Statistics Canada before our report was to be finalized. However, as of the date that our report went for publication, Statistics Canada had not yet released the 2008 data.) Waste diversion in the residential sector has significantly increased since 2002, but this increase has been offset by a drop in the IC&I sector's diversion rate, resulting in only a slight increase since 2002 in Ontario's overall waste diversion rate.

Figure 1: Ontario Waste Diversion Rate, 2002–2008 (%)

Source of data: Statistics Canada and the Ministry of the Environment



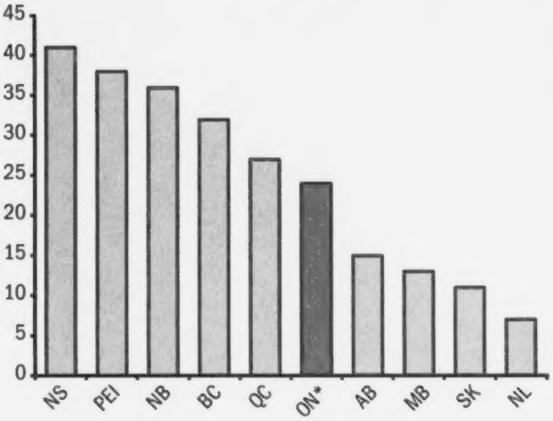
* Through WDO, the Ministry collects waste diversion data from municipalities annually; based on the information collected, the Ministry has determined the 2006 and 2008 residential-sector diversion rates to be 38% and 42%, respectively. The latest waste diversion data available from Statistics Canada for the IC&I sector is from 2006. The 2008 diversion rate was originally scheduled to be released by Statistics Canada before our report was to be finalized; however, as of the date that our report went for publication, Statistics Canada had not yet released this information. The total waste diversion rate for 2006 and 2008 was derived using the WDO residential waste diversion rate for those years and the 2006 Statistics Canada IC&I-sector diversion rate.

As seen in Figure 2, which is based on the latest available data, Ontario's overall waste diversion rate is below that of five other provinces: Nova Scotia, Prince Edward Island, New Brunswick, British Columbia, and Quebec. As well, many countries in the European Union perform better than Ontario in waste diversion. Figure 3 shows that for 2008, Austria, Germany, Belgium, the Netherlands, and Sweden—considered leaders in waste diversion—diverted a significantly higher percentage of their waste than Ontario did.

Many of the issues that the Ministry had previously identified as key to achieving 60% waste diversion by the end of 2008 had yet to be successfully addressed at the time of our audit. The following sections of our report discuss these in more detail.

Figure 2: Amount of Residential and IC&I Waste Diverted in 2006, by Province (%)

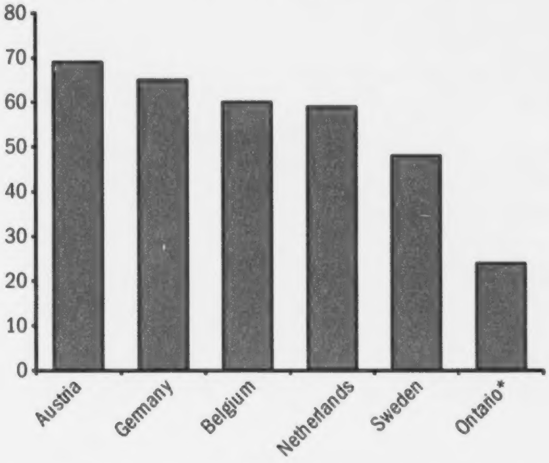
Source of data: Statistics Canada and Ministry of the Environment



* Through WDO, the Ministry collects waste diversion data from municipalities annually; based on the information collected, the Ministry has determined the 2008 residential-sector diversion rate to be 42%. The latest waste diversion data available from Statistics Canada for the other provinces is from 2006. Ontario's total waste diversion rate was derived using the 2008 WDO residential waste diversion rates and the 2006 Statistics Canada IC&I-sector diversion rate, which are the latest data available. The 2008 waste diversion rates for Ontario and the other provinces were originally scheduled to be released by Statistics Canada before our report was to be finalized; however, as of the date that our report went for publication, Statistics Canada had not yet released the 2008 data.

Figure 3: Amount of Waste Diverted in Ontario and Selected European Countries in 2008 (%)

Source of data: Statistics Canada, Ministry of the Environment, and Eurostat



* Through WDO, the Ministry collects waste diversion data from municipalities annually; based on the information collected, the Ministry has determined the 2008 residential-sector diversion rate to be 42%. Ontario's total waste diversion rate was derived using the 2008 WDO residential waste diversion rate and the 2006 Statistics Canada IC&I-sector diversion rates. The latest waste diversion data available from Statistics Canada for the IC&I sector is from 2006. The 2008 waste diversion rate was originally scheduled to be released by Statistics Canada before our report was to be finalized; however, as of the date that our report went for publication, Statistics Canada had not yet released this information.

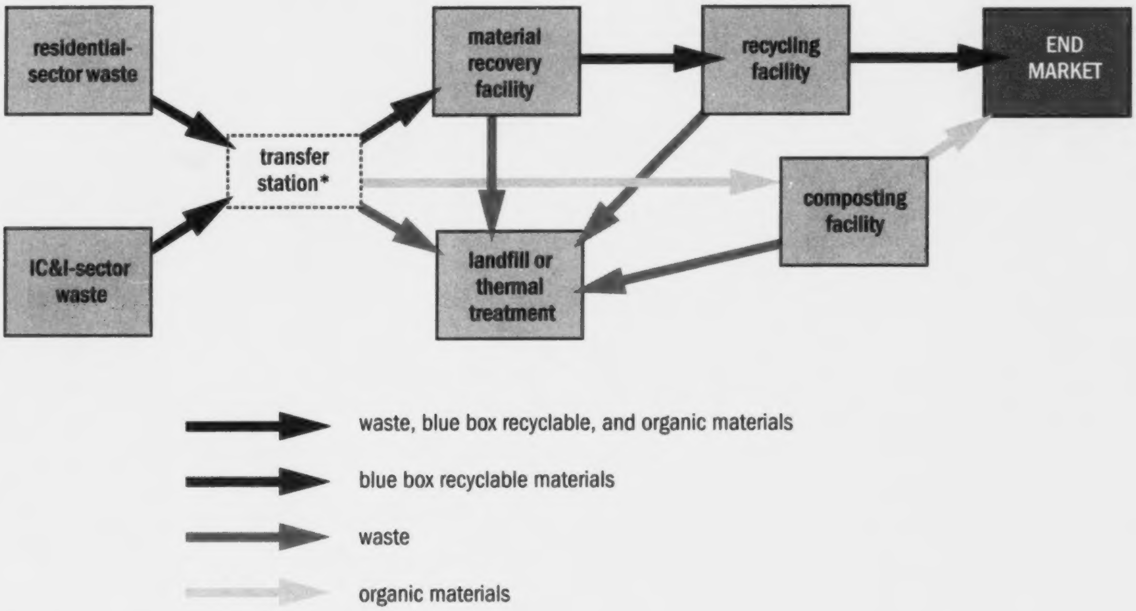
Residential-sector Waste

As indicated earlier, municipalities are generally responsible for managing waste generated by households (except in most multi-unit residential buildings) in their respective jurisdictions. A regulation under the *Environmental Protection Act* (EPA) requires municipalities with populations greater than 5,000 to set up diversion programs for the following specific residential wastes: glass bottles and jars, steel and aluminum cans, newsprint, and plastic bottles, plus two additional items to be chosen from a supplementary list of residential wastes.

Waste and recyclable materials (blue box waste and organic waste) are collected in most cases at the curb by the municipalities themselves or by private-sector waste management companies contracted by the municipalities. Residents can also take their waste and recyclable materials to drop-off depots or collection sites. In smaller and rural municipalities, where significant distances between residences can make curbside collection impractical, drop-off depots and collection sites are the only avenue that these municipalities can realistically use to collect waste and recyclable materials. Figure 4 illustrates the flow of waste and recyclable materials from collection to their end destination. In large urban centres, waste and recyclable materials collected curbside or at drop-off depots and collection sites are sometimes transported to a temporary storage site called a transfer station. From the transfer station, non-recyclable waste is taken away for disposal either in a landfill or, in limited cases, to a thermal treatment facility. The recyclable materials are taken to either a material recovery facility (MRF) for sorting or a composting facility. Residual non-recyclable waste from an MRF or composting facility is taken to a landfill. In smaller municipalities, waste and recyclable materials collected curbside or at drop-off depots and collection

Figure 4: Flow of Waste and Recyclable Materials

Prepared by the Office of the Auditor General of Ontario



residential-sector waste
IC&I-sector waste
transfer station*
material recovery facility
landfill or thermal treatment
recycling facility
composting facility
END MARKET
waste, blue box recyclable, and organic materials
blue box recyclable materials
waste
organic materials

* In smaller municipalities, waste, blue box recyclables, and organic materials are often taken directly to a landfill, a material recovery facility, or a composting facility, respectively.

sites are usually taken directly to a landfill, MRF, or composting facility. From an MRF, municipalities market their recyclable materials either directly to local private-sector recycling companies or to a broker, which may market the recyclable materials overseas. Most municipalities both own and operate transfer stations, MRFs, composting facilities, and landfills or own these waste management facilities but contract with private-sector companies to operate them.

Annually, about 65% (approximately 2.3 million tonnes) of residential waste that is to be deposited in landfills is deposited in landfills that are predominantly owned by municipalities within the province. The remaining 35% (about 1 million tonnes annually) is shipped to the United States, mainly to landfills in Michigan and some to landfills in the state of New York. The province has secured the commitment of some of the larger municipalities to not ship any more residential waste to Michigan after 2010.

Variation in Municipalities' Waste Diversion Rates

Based on the results of our survey, we note that Ontario municipalities and households are making reasonable efforts to divert waste away from landfills. However, although the average municipal diversion rate for residential waste is about 40%, individual municipalities' diversion rates vary widely. Of the municipalities that responded to our survey, approximately one-quarter reported a waste diversion rate of between 20% and 40%, about half reported a diversion rate of between 40% and 60%, and the remaining quarter reported a diversion rate of over 60%. Survey responses and our discussions with municipalities indicated that the following factors influence these variations in diversion rates between municipalities.

Frequency and Quantity of Waste Collection in Municipalities

One factor that has a direct impact on waste diversion is the frequency and quantity of waste collection (that is, how often waste is collected and the number of bags allowed). In theory, when waste is collected less often and when bag limits are imposed, residents typically divert more waste. In our discussions, one municipality indicated that it had found that collecting waste every two weeks instead of weekly and imposing a bag limit provided a high incentive for its residents to divert waste and therefore optimized waste diversion. By moving to a biweekly collection of waste and a weekly collection of recyclable materials, the municipality was able to increase its diversion rate by about 20%. Of the municipalities that responded to our survey, 70% had weekly curbside waste collection, whereas only 30% collected waste biweekly. In addition, a third of the municipalities had instituted a one- or two-bag limit; another third had a three- or four-bag limit; and the remaining third had no limit.

Over half the municipalities reported that the frequency and quantity of waste collection in their jurisdiction was dictated by municipal councils, which tend to want to provide the levels of waste pickup service desired by their residents rather than what would optimize waste diversion. Landfill capacity available to a municipality also played a role in determining the frequency and quantity of waste collection in a municipality. In the responses to our survey, nearly 90% of the municipalities that indicated they had no or insufficient landfill capacity had imposed a bag or container limit on the waste they collected from their residents.

Variation in Recyclable Materials Collected by Municipalities

Our survey also revealed that municipalities vary widely in the types of recyclable materials their blue box programs collect. Among the municipalities that responded to our survey, the number of recyclable materials collected ranged from the minimum seven required by the EPA up to 20 different types of materials. In addition, although organic waste represents almost a third of the total waste generated, only 15% of the municipalities collect organic waste from approximately 40% of Ontario households. Nearly half the municipalities that responded to our survey indicated that the availability of reliable and sustainable local markets for recyclable and organic waste and/or the availability of infrastructure (that is, an MRF or a composting facility) to process this material determined the recyclable materials the municipality could collect and whether the municipality could collect organic waste.

With respect to the availability of sustainable markets, we learned from our discussions with municipalities that they compete with one another and with the private sector for markets for recyclable materials. The larger municipalities, which generate significant volumes of recyclable materials and organic waste, are more successful at securing markets than the smaller municipalities.

Funding of Diversion Activities

Even though municipalities are responsible for managing the blue box recyclable materials generated in their respective jurisdictions, the total net cost of the blue box program is to be equally shared between municipalities and the industry "stewards" whose products generate the waste. Over a third of the municipalities that responded to our survey indicated that cost was a major challenge in effectively managing non-hazardous waste. On average, municipalities reported that the cost of diverting a tonne of blue box recyclable materials was about 40% higher than the cost of disposing a tonne of waste in a landfill.

Fees are collected from each "steward" based on the market share of its products. The fees collected are supposed to fund half of the total net costs incurred by municipalities in operating their blue box programs. This cost-sharing is designed to ensure that the municipalities are not overburdened by the cost of managing a blue box program, thereby encouraging the program's sustainability. But at the time of our audit, our analysis indicated that about 80% of the municipalities that ran a blue box program received less than 50% of their program's net costs. Some municipalities received only 25% of their program's net costs. This variation may occur because approximately half the funds collected from "stewards" are set aside and provided only to those municipalities that are able to demonstrate efficiencies in the operation of their blue box program from the use of best practices, innovation, and new and emerging technologies. In addition, "stewards" in the newspaper industry don't pay a fee: instead, they provide municipalities with free advertising in local community papers.

Over half of the municipalities that responded to our survey indicated that the funding they received under the current formula to offset some of the costs they incur for running the blue box program was not sufficient. Also, according to Waste Diversion Ontario, one in four municipalities did not choose to use the advertising space provided by "stewards" in the newspaper industry and, in their response to our survey, a number of municipalities indicated that they would rather that these "stewards" paid a fee.

Review of the *Waste Diversion Act*

In October 2008, the Ministry began a review of Ontario's *Waste Diversion Act, 2002* (WDA). As part of that review, the Ministry launched a public dialogue with numerous stakeholders, including industry "stewards," retailers, municipalities, environmental organizations, waste management companies, and concerned members of the public. At the time of our audit, the Ministry had prepared a report on its WDA review that proposed significant changes to Ontario's waste diversion framework. To address some of the issues noted above, one of the key changes proposed is extended producer responsibility (EPR)—that is, making "stewards" fully responsible for waste diversion in both the residential sector and the IC&I sector. The rationale is that if "stewards" were fully responsible for waste management, they would have an incentive to redesign their products and packaging in order to reduce overall collection and recycling costs. In our discussions, municipalities were generally supportive of EPR but indicated that certain key issues had to be resolved before EPR could be fully implemented in the province. Specifically, municipalities were concerned about the level of waste collection service that might be provided to their residents under EPR and about the possibility that EPR would strand waste management infrastructure that some municipalities have made significant investments in acquiring. At the time of our audit, the Ministry was seeking further consultation with respect to the proposed framework before amending legislation.

RECOMMENDATION 1

To further increase diversion of waste in the residential sector, and as part of its current review of the *Waste Diversion Act*, the Ministry of the Environment should work with municipalities, industry "stewards," and other stakeholders to:

- **increase the availability of reliable and sustainable markets for recyclable and organic waste;**
- **increase capacity within the province to process recyclable materials and organic waste; and**
- **review the current funding formula for the blue box program to ensure that it achieves its objective of municipalities and "stewards" equally sharing costs.**

The Ministry agrees that a healthy and robust recycling sector is important. Although all partners in waste management have demonstrated progress, the Ministry recognizes the value of continuous improvement and is committed to working with municipalities, industry stewards, and other stakeholders. The Ministry will take each aspect of this recommendation into consideration as it reviews the current waste diversion framework.

Over the past few years, the province has taken a leadership role in the introduction of a number of industry-funded waste diversion programs. Along with the municipal blue box program (which is jointly funded by municipalities and industry), Ontario now has programs for used tires, waste electronics, and household hazardous waste. Because market opportunities and processing capacity are critical factors in sustaining a healthy recycling program, these programs all have a dedicated budget for improving and supporting processing capacity and for market development activities. As each of the waste diversion programs mature, the Ministry will identify areas for continued improvement.

The Ministry recognizes the challenges related to the diversion of organic waste. The Ministry has been consulting with municipalities and other stakeholders to explore ways to expand processing capacity for organic waste.

Industrial, Commercial, and Institutional (IC&I) Sector Waste

Regulations under the *Environmental Protection Act* (EPA) require large generators of waste in the IC&I sector to prepare a report (Waste Audit) on:

- the amount, nature, and composition of waste that they generate;
- the manner by which the waste gets produced, including management policies that relate to the production of waste; and
- the way in which the waste is managed.

The regulations also require that these generators prepare a plan (Waste Reduction Work Plan) for reducing, reusing, and recycling the waste that they produce, including how the plan will be implemented, time frames for implementation, and expected results. These generators must also have source-separation programs for specified types of waste (for example, aluminum, cardboard, paper, plastic, glass, and steel, but not organics) and must make reasonable efforts to ensure that waste is recycled. The Ministry is responsible for enforcing the regulations under the EPA.

Unlike residences, which rely on municipalities to manage their waste, businesses and organizations in the IC&I sector predominantly rely on private-sector waste management companies to dispose and divert their waste. The waste management companies collect and transport their waste to either landfills or recycling facilities, which may be operated by a municipality or by the waste management companies themselves. Some waste management companies have also entered into agreements with landfills in Michigan and in New York State for the depositing of waste destined for disposal; annually, approximately 30% (2.4 million tonnes) of total IC&I waste generated is shipped to the United States.

The Ministry does not have information on the amount of waste disposed and diverted in the IC&I sector. As mentioned earlier, based on the latest Statistics Canada information available at the time of our audit, the IC&I sector's waste diversion rate was only 12%. In fact, the sector's diversion rate has been steadily declining, from 19% in 2002 to 12% in 2006.

According to the Ontario Waste Management Association (the association that represents private-sector waste management companies), some of the main barriers that contribute to lower rates of recycling in the IC&I sector are as follows:

- The cost of disposing waste in a landfill is about 40% lower than the cost of recycling. This creates a big incentive for private-sector organizations to choose the cheaper option.
- The regulations under the EPA apply only to large generators (primarily based on facility size or economic activity), and enforcing the regulations is difficult. Small and medium-sized businesses, which generate approximately 60% of the IC&I waste in Ontario, are not covered by the current regulations.
- Many IC&I waste generators lack the necessary knowledge, time, and financial resources

to establish an effective waste reduction and recycling program in their business.

- Currently in Ontario, there is insufficient capacity to recycle IC&I waste, due mainly to a lack of any certainty of supply in IC&I material to be recycled.

For the IC&I sector to achieve the province's 60% diversion goal, the government's 2004 discussion paper identified many of the issues noted above. Some of the action items that the government considered as possible ways to address these issues back then were:

- reviewing the waste diversion regulations under the EPA, because only a limited number of IC&I waste generators fall under the regulations;
- requiring the largest waste generators to publicly report their waste diversion rates, and phasing in public reporting of waste diversion rates by other waste generators on a sector-by-sector basis; and
- providing training to small businesses to help them increase their waste diversion rates.

The government also considered imposing a surcharge on waste sent for disposal, which could function as a funding mechanism to finance waste diversion programs and as an incentive to waste generators to reduce the amount of waste sent for disposal.

As yet, the Ministry has not acted on any of these possible initiatives. However, in 2004 the Ministry also recognized that in order to encourage the private sector to come forward with innovative technologies and investment, it needed "the right approvals process" that protected the environment but also encouraged investment and innovation. We noted that to this end, the Ministry has made several changes to its environmental assessment process for waste management projects in recent years. In 2007, it introduced a regulation aimed at streamlining the environmental assessment process for certain waste management projects that have minimal or predictable environmental effects, such as transfer stations, processing sites, and small and medium-sized landfills. Also in 2007, the Ministry released several guidance documents aimed at better communicating to the proponents and the public the requirements at various stages of an environmental assessment process.

RECOMMENDATION 2

In order to increase waste diversion in the IC&I sector, the Ministry of the Environment should:

- **gather information on the amount and type of waste generated by small and medium-sized businesses and organizations that are not regulated under the *Environmental Protection Act* (EPA) and consider what actions could be taken to reduce the amount of waste that is currently going to landfills;**
- **require those large entities that are regulated under the EPA to publicly report their waste diversion rates. The Ministry should then, as part of its inspection work, assess the accuracy of the rates reported; and**
- **conduct research into successful practices used in other provinces and European countries to divert IC&I-sector waste from landfills. In assessing which practices might be transferable to Ontario, the Ministry will need to balance the environmental benefits with the economic challenges currently being faced by the business community.**

[illegible]

Since 2008, the Ministry has consulted extensively on revisions to Ontario's waste diversion framework. We acknowledge that good information forms the basis of policy and program design, and recognize that there are gaps in the information available to the Ministry to maximize waste diversion in the IC&I sector. The Ministry's ongoing review of the waste diversion framework will include consideration of how to obtain the information necessary to support diversion policies and programs.

The Ministry will also continue to conduct research into best practices in other jurisdictions, including reviewing what they are doing to divert waste in the IC&I sector, how they gather information on the amount and type of waste generated by small and medium-sized businesses, how they report on diversion rates by regulated companies, and how they audit those reports. We will also review associated costs and environmental benefits, and assess whether these best practices would be appropriate in Ontario.

Compliance in the IC&I Sector

Ministry inspectors conduct province-wide site inspections of IC&I-sector businesses and organizations that are regulated under the EPA to ensure compliance with the regulations. In the 2008/09 fiscal year, the Ministry also started to provide outreach programs to educate these businesses and organizations at the corporate or association level on the requirements of the regulations under the EPA. Figure 5 shows the number of inspections carried out by the Ministry in each segment of the IC&I sector in 2009/10.

Figure 5: Number of Ministry Inspections in the IC&I Sector, 2009/10, by Segment

Source of data: Ministry of the Environment

Segment	Businesses in Segment	Inspections in 2009/10
multi-unit residential	unknown	90
hotels and motels	430	73
educational institutions	2,414	72
construction and demolition	variable	63
office buildings	unknown	37
manufacturing	unknown	27
retail shopping establishments	unknown	27
retail shopping complexes	unknown	13
restaurants	unknown	9
hospitals	121	0
Total		**411**

Despite these recent efforts at ensuring compliance, we noted that the Ministry does not have information on the actual number of companies or organizations in most of the IC&I segments covered by the EPA regulations, nor does it track which segments generate the largest amounts of waste in order that these may be prioritized for inspection. The Ministry advised us that it selects entities for inspection at random through various means, such as searches on the Internet, in the Yellow Pages, and in industry directories. A 2008 study commissioned by one Ontario municipality found that the top five IC&I waste generators in the city were Retail (29%), Accommodation and Food Services (19%), Manufacturing (11%), Health Care and Social Assistance (10%), and Arts, Entertainment, and Recreation (7%). As Figure 5 shows, in 2009/10 among the lowest numbers of inspections were carried out in the retail and restaurant segments. Although we acknowledge that this one municipality's results may not be indicative of the entire province, the Ministry should be gathering such data on Ontario's largest IC&I waste generators in order to target these establishments for inspection. In addition, such information would be useful from a policy perspective when evaluating possible approaches to reduce the amount of waste going to landfills.

We also noted that the Ministry does not gather any data on IC&I waste disposal and diversion: instead, it relies on Statistics Canada for this information. Statistics Canada only publishes information on IC&I waste disposal and diversion every two years; therefore, IC&I disposal and diversion statistics for 2008 would ordinarily not be available until mid-to-late 2010. Although placing some reliance on the data gathered by Statistics Canada is practical, obtaining some information from the large IC&I waste generators covered by the EPA would enable the Ministry to better assess how effective its inspection efforts have been and make the necessary changes to its inspection strategy on a more timely basis.

The results of the inspections conducted in 2009/10 revealed significant cases of non-compliance with the EPA regulations in many IC&I segments. An Ontario Chamber of Commerce survey, conducted in May 2010, of a sample of larger IC&I entities revealed that 45% of the respondents were not even aware of the regulations under the EPA that related to waste diversion.

By comparison, British Columbia and Nova Scotia, two provinces with higher IC&I waste diversion rates than Ontario, have to varying degrees implemented a ban on landfilling recyclable materials. Nova Scotia's ban has been in place since the mid-1990s. The legislation to some extent forces IC&I waste generators to separate recyclable materials from all other waste, because landfills cannot legally accept recyclable materials. In 2004, Ontario also considered the feasibility of phasing in a ban on disposal of organic waste and recyclable materials as a way to help achieve the 60% diversion goal, but no action in this regard has been taken.

Scope of Inspections in the IC&I Sector

The inspections that the Ministry conducts of IC&I businesses and organizations have not been particularly effective in increasing the sector's waste diversion rate, largely because their scope consists only of ensuring that the business or organization has prepared the required Waste Audit and Waste Reduction Work Plan and that these reports are complete. Ministry inspectors do not check that the information reported on the Waste Audits and Waste Reduction Work Plans reflects the organization's actual processes. Inspections also do not assess the extent to which businesses and organizations have actually acted on the plans or whether the plans have resulted in an increase in the amount of waste diverted. This assessment is especially important with respect to the Waste Reduction Work Plan, which, as indicated earlier, is designed to be the business's or organization's overall plan for reducing, reusing, and recycling the waste that it produces and which includes details on implementation, time frames for implementation, and expected results. We found that in half of the inspection files we reviewed, there was no documentation to indicate that the ministry inspector had reviewed either the Waste Audit or the Waste Reduction Work Plan.

Inspections aimed at ensuring that IC&I businesses and organizations have implemented a program to source-separate waste for reuse or recycling are only to assess whether the business or organization has the necessary bins to source-separate specified waste and whether reasonable efforts have been made to educate customers, workers, or tenants on the use of the bins. The inspections do not generally address how effective a facility's source-separation program is and whether the waste that has been source-separated is actually being sent to recycling facilities. Ministry inspectors informed us that even those IC&I businesses and organizations that are making reasonable efforts to source-separate their waste generally do not know what happens to the waste after the waste management company picks up the source-separated waste. They can do little to ensure that the source-separated waste is actually being recycled and not simply disposed in a landfill. The Ministry informed us that, through inspections, it ensures that the waste management companies operate under a valid certificate of approval. But we noted that the certificates under which these companies operate do not generally require that they process the collected IC&I source-separated waste for recycling. In any case, a number of inspection files that we reviewed did not contain evidence that the inspector had checked that the waste management company was operating under a valid Ministry-issued certificate of approval.

Enforcement of Other EPA Regulations

A regulation under the EPA requires that large manufacturers, packagers, and importers of packaged food, beverage, paper, or chemical products undertake a packaging audit and implement a packaging reduction work plan. The packaging audit and the packaging reduction work plan, among other things, are intended to provide information on the type and amount of packaging these companies use, the amount of reused or recycled materials being used in the packaging, and plans to reduce the amount of packaging. We noted that the Ministry has never enforced this regulation since its implementation in 1994, except for having performed one inspection in May 2007.

Similarly, another regulation under the EPA requires that all carbonated soft drinks be sold in refillable containers. Yet another regulation under the EPA provides an exemption if brand owners for carbonated soft drinks show that a minimum 30% of sales volume is in refillable containers and that the non-refillable containers used for the remainder of the sales are recycled. We noted in our *1997 Annual Report* that these regulations were not being enforced at that time, and more than a decade later, they remain unenforced. Carbonated soft drinks are predominantly being sold in non-refillable containers throughout the province. The Environmental Commissioner of Ontario made this same observation in his 2003/04 annual report and noted that "the fact that for more than 13 years [the Ministry of the Environment] has refused to prosecute companies that contravene the regulations and simultaneously has failed to amend the regulations creates a strange situation for all stakeholders and undermines the concept of the rule of law." In 2003, the Ministry reviewed these regulations on the basis that they were outdated and unworkable and that there was clear consumer preference for recyclable over refillable containers for carbonated soft drinks, but the review did not result in any changes to the legislation.

RECOMMENDATION 3

To improve waste diversion in the IC&I sector, the Ministry of the Environment should:

- **gather data on the number of businesses to which the waste diversion regulations apply and on which of these are the largest waste generators to assist both its inspection activities and policy decisions, and ensure that businesses are aware of the requirements of the regulations;**
- **increase the scope of its inspections to include an assessment of the extent to which businesses have implemented their Waste Audits and Waste Reduction Work Plans and whether there has been any increase in the amount of waste diverted; and**
- **verify during inspections and document whether waste management companies are operating under a valid certificate of approval.**

If the Ministry plans to continue not to enforce its regulation that requires large manufacturers, packagers, and importers to implement a packaging reduction plan and its regulation that requires all carbonated soft drinks to be sold in refillable containers, it should consider revoking these regulations.

[illegible]

To assess the effectiveness of the recycling regulations and improve compliance, in 2007 the Ministry established a dedicated team of inspectors to implement comprehensive compliance activities. The Ministry uses the best available information from a variety of sources to identify facilities to which the regulations apply and to assess which sectors generate the largest amounts of waste. It then focuses its compliance efforts on these sectors. For example, the Ministry is negotiating with head offices of companies to implement corporate-wide recycling programs, thereby reaching a large number of facilities. Over the past two years, the Ministry has completed eight such corporate-wide initiatives, thereby nearly doubling the number of facilities brought into compliance. The Ministry is also working with school boards and the

Ontario Hospital Association to reach multiple facilities in these sectors.

The Ministry has also significantly increased its outreach and education efforts in the IC&I sector by making presentations to industry associations and creating guidance kits and web-based resources. Recent examples include working with the construction and demolition sector, which generates high volumes of waste. The Ministry follows up on this education and outreach with regular inspections and abatement activity, if necessary. Through these efforts, the Ministry promotes improved diversion practices for this sector. The Ministry will also assess whether additional data on facilities to which the waste diversion regulations apply is required to assist both its inspection activities and policy decisions.

Current regulations require companies to complete waste audits and waste reduction work plans; source-separate specified wastes; and ensure that collected wastes are removed from their premises. During inspections, environmental officers ensure that companies are fully complying with these regulations. Officers do not have the authority to enforce an increase in waste diversion or the extent to which companies are implementing audits and work plans. Instead, they assess and enforce that businesses have made "reasonable efforts" to divert waste.

The Ministry is committed to documenting during inspections that waste management companies are operating under a valid certificate of approval. In September 2010, we will implement changes to our inspection tracking and reporting system to ensure that this is documented consistently.

The container regulations pre-date the blue box program. As part of the government initiative to reduce regulatory burden, the Ministry is reviewing all regulations.

Organic Waste

Organic waste includes such items as leaf and yard waste, food waste from households, and food waste generated by the IC&I sector (such as waste from restaurants, hotels, hospitals, food-processing facilities, and grocery stores). Organic waste generated by both the residential and IC&I sectors represents almost a third of the total non-hazardous waste generated in Ontario, but there is no province-wide organic waste diversion program or target, although the Ministry did consider establishing such a program as early as 2002. Although legislation requires municipalities with populations over 50,000 to collect leaf and yard waste for composting, there is no such requirement for the collection of food waste from Ontario's households or businesses. Municipalities with populations over 5,000 are required only to distribute backyard composters.

However, driven by the need to reduce reliance on landfills, some municipalities have chosen to initiate their own organic waste collection programs (commonly referred to as green bin or green cart programs) for their residents. Based on the latest information available at the time of our audit, we note that about 15% of Ontario's municipalities collect household organic waste for diversion from about 40% of the province's households. The regulation that requires source separation of recyclable materials in the IC&I sector does not include organic waste. By comparison, in an effort to force the diversion of organic waste, both British Columbia and Nova Scotia have, to varying degrees, banned the depositing of organic waste in the provinces' landfills. We were informed that in Nova Scotia, over 90% of the municipalities provide residents with curbside collection of household organic waste, and that where curbside pickup is unavailable, businesses and residents have access to centralized composting facilities.

In 2002, the Ministry intended to implement a province-wide organic waste diversion program under the *Waste Diversion Act* (WDA). In its 2004 discussion paper, the Ministry acknowledged that diverting organic waste from disposal was "a particularly critical component of a province-wide strategy to reach the 60% diversion goal by the end of 2008." But since then, little action has been taken on this initiative. At the time of our audit, the Ministry informed us that difficulties associated with identifying industry "stewards" of organic waste to bear the cost of a province-wide organic waste diversion program have prevented the Ministry from instituting such a program for organic waste. As part of the WDA review, the Ministry is exploring the possibility of a diversion program for "branded organics"—certain organic wastes for which "stewards" can be easily identified. Implementing a province-wide organic waste diversion program will also require sufficient capacity to process the organic waste that is currently generated in Ontario. We estimate that in order for all municipalities and all IC&I businesses and organizations to have an organic waste diversion program, at least three times more processing capacity would need to be available.

RECOMMENDATION 4

To increase overall waste diversion in Ontario, the Ministry of the Environment should work with municipalities, businesses and organizations, and private-sector waste management companies to phase in over time a province-wide organic waste diversion program for both the residential and IC&I sectors. As part of implementing the program, the Ministry, in conjunction with these stakeholders, will need to ensure that there is sufficient capacity to process the additional organic waste and that a sustainable market exists for the processed waste.

[illegible]

Many municipalities in Ontario have successfully implemented green bin and other diversion programs to divert organic waste. These programs diverted over 800,000 tonnes of organic waste in 2008—an increase of 25% from 2006—and municipalities continue to expand their efforts in this area.

The Ministry wants to increase diversion of organic waste and is consulting with municipalities, businesses, and other stakeholders on ways to do so. As part of these consultations, the Ministry is considering the appropriate standards for compost, environmental protection measures, and other tools to support a sustainable market and processing capacity for organic waste and to further encourage expansion of organic waste diversion in both the municipal and IC&I sectors.

Waste Diversion Ontario

In 2002, the *Waste Diversion Act* established an arm's-length organization called Waste Diversion Ontario (WDO). According to the act, WDO's primary task is to develop, implement, and operate, in conjunction with an Industry Funding Organization (IFO—an organization representing industry "stewards"), waste diversion programs for waste materials designated by the Minister and to monitor the programs' effectiveness and efficiency. Each IFO is responsible for developing and operating a waste diversion program and funding it with fees charged to "stewards" based on the market share of their products. The IFOs also fund almost all of WDO's operations from part of the proceeds collected from "stewards." Such costs amount to about $1.5 million annually.

At the time of our audit, WDO was responsible for four diversion programs: the municipal blue box program and the Municipal Hazardous or Special Waste (MHSW) Program, under the Stewardship Ontario IFO; the Waste Electrical and Electronic Equipment (WEEE) Program, under the Ontario Electronic Stewardship IFO; and the Used Tires Program, under the Ontario Tire Stewardship IFO. Collectively, these designated wastes constitute about 15% of Ontario's total waste stream. Bringing these diversion programs under WDO has facilitated the establishment of province-wide diversion targets for these waste streams and the shifting of the responsibility for diversion costs to the "stewards" whose products generate the waste.

Program Implementation and Performance Monitoring

The underlying legislation states that, before implementing a diversion program, WDO must submit a program proposal to the Minister for approval. Among other things, the proposal must outline the program's objectives (including diversion targets) and the methods that will be used to measure whether the objectives are being met. Figure 6 highlights the diversion targets established for the four programs under WDO and whether these targets have been achieved based on the latest information available at the time of our audit.

With respect to the implementation of the diversion programs and the Ministry's and WDO's monitoring of the programs' performance in relation to targets, we noted the following:

- In their first year, two of the four programs did not meet their diversion targets. In the operating agreement that governs the relationship between the Minister of the Environment and WDO, we noted that there are no requirements for WDO to advise the Minister why diversion targets have not been met and what action it plans to take toward achieving the targets.
- The operating agreement stipulates that both parties are to conduct a review of the performance and implementation of the agreement every three years. But since WDO's inception in 2003, neither the Ministry nor WDO has conducted a formal review of the agreement.
- Municipalities that have registered with WDO provide annual reporting on, among other things, the amount of blue box recyclable materials diverted in tonnes. WDO uses this information together with an estimate of the total waste generated by these municipalities to calculate the diversion rate for the blue box program (reported in Figure 6 as 66% for 2008). Only 3% of the information submitted by municipalities on blue box materials diverted had been audited to verify its accuracy. Concerns also exist regarding the diversion rates reported for WEEE, MHSW, and used tires. Only registered collectors submit diversion data to the IFOs, so the activity of unregistered collectors is not reflected in the reported diversion rate for these wastes.

Figure 6: Waste Diversion Ontario Programs: Baseline, Targeted, and Actual Diversion Rates, 2008–2010

Source of data: Ministry of the Environment

Program	% of Total Waste Generated	Implementation Date	Baseline Diversion When Implemented	Diversion Target	Actual Diversion Rate
blue box	11.0	Feb. 2004	45%	60% diversion by 2008	66% in 2008
municipal hazardous or special waste	0.7	July 2008	28%	phase 1: 39% by 2009	phase 1: 29% in 2009
used tires	1.8	Sept. 2009	on-road tires: 48%; off-the-road tires: 12%	on-road tires: 91% by 2009/10; off-the-road tires: 14.25% by 2009/10	at the time of our audit, the program had not completed its 12-month cycle
waste electrical and electronic equipment	0.7	Apr. 2009	21%	phase 1: 32% by 2009/10	phase 1: 15% in 2009/10 (based on 12-month projections)
Total	**14.2**				

Further, we noted that the information used to calculate the WEEE, MHSW, and used-tire diversion rates that is submitted by the IFOs responsible for these programs had not been objectively assessed by WDO.

- The Ministry needs to be cognizant of the fact that WDO has been charged with the responsibility of monitoring the performance of programs developed by the same IFOs that fund WDO's operations.
- Waste diversion programs are implemented only after the Ministry is satisfied that the program plans developed by the IFO and WDO reflect ministry requirements. In March 2003, the Ministry asked WDO to develop a waste diversion program plan for used tires. The IFO submitted a program plan to WDO in September 2004. Stakeholder consultation led WDO to reject the program plan and seek further direction from the Ministry in June 2005. Three years later, in August 2008, the Ministry asked WDO to submit a revised program plan. The revised Used Tires Program was ultimately implemented in September 2009. By then, the Ministry had spent more than $1.8 million to clean up what was considered to be the largest stockpile of used tires in Ontario. Had this plan been able to have been implemented sooner, the tire manufacturers would likely have borne much of that cost rather than the taxpayers.
- For the Used Tires Program and for the MHSW and WEEE programs, industry "stewards" pay a fee to their respective IFOs to cover the full cost incurred by registered collectors and processors in recycling or disposing their products at the end of their life cycle. Therefore, registered collectors do not charge an additional fee when these products are dropped off at their locations. "Stewards" usually pass on this cost to retailers, which in turn can include this cost in the price they charge to consumers. Neither the Ministry nor WDO monitors whether the costs passed on to consumers by retailers are the same as the costs that "stewards" are actually charging. The Ministry believes that the monitoring of these costs is outside of its legislative authority. We surveyed a number of retailers across the province to assess whether the "eco fee" charged on products in the WEEE program was in accordance with the fee paid by the program's "stewards." Although we found that most retailers charged the proper published fee, a number of retailers were charging an older fee that had expired as of March 2010. For instance, instead of charging an "eco fee" of $7.80 for a desktop computer, we found that one retailer charged $13.44. As well, we found that one retailer indicated that the "eco-fee" is built into the price of the product and did not show it as a separate charge, as this is not required; therefore, the fee actually being charged was indeterminable. In addition, there is no requirement under the programs for collectors to register themselves. Unregistered collectors usually charge a fee when the WEEE, MHSW, or used tires are dropped off at their locations. A consumer who unknowingly uses an unregistered collector may pay twice for the cost to recycle or dispose the products—initially, when purchasing the product and again at the time of drop-off.

RECOMMENDATION 5

To enhance accountability for the achievement of diversion targets for wastes specifically designated under the *Waste Diversion Act, 2002,* and to ensure that the reporting of the diversion results against the targets to the Minister is complete and reasonably accurate, the Ministry of the Environment should:

- **review the operating agreement to ensure that it contains sufficient accountability provisions to require Waste Diversion Ontario to provide an action plan when waste diversion targets are not being met;**

- ensure that the waste diversion information submitted by municipalities and the Industry Funding Organizations (IFOs) is objectively assessed, including the impact on this information of unregistered collectors that do not submit waste diversion data; and
- reconsider its policy of allowing collectors of designated wastes the option of whether or not to register with an IFO.

Where retailers are charging a specific "eco fee," the Ministry should also reconsider whether they should be required to disclose the amount of the fee on the customer receipt.

[illegible]

The Ministry agrees that good reporting is an essential component of monitoring results from Ontario's waste diversion programs. The Ministry has ongoing discussions with Waste Diversion Ontario (WDO) over ways to enhance reporting and accountability across waste diversion programs.

On October 12, 2010, following a review of the Municipal Hazardous or Special Waste program, the government announced oversight and accountability improvements as well as new consumer protection measures.

WDO and the Minister will be revising their operating agreement to change the structure of the WDO Board of Directors to ensure that it reflects the knowledge and expertise needed to oversee waste diversion programs, that it avoids conflicts of interest, and that it includes consumer representation.

To strengthen the accountability of waste diversion programs, the government requested that WDO implement independent third-party verification of environmental performance and standardized reporting for all waste diversion programs (in addition to existing requirements for audited financial statements). WDO has initiated the process for third-party verification, which will include an objective assessment of the data collected and reported by the programs and will be made public.

To ensure that consumers are protected, the government is also investigating incorrect or misleading fees that retailers may charge. In instances where it is believed that consumers have been charged inappropriately, existing tools available under the *Consumer Protection Act, 2002*, will be used.

WASTE DISPOSAL

As shown in Figure 7, for 2006, the most recent data available at the time of our audit, waste generated in Ontario that is not recycled is disposed of mainly by depositing it in one of approximately 1,100 active landfills in the province or in landfills in the states of Michigan and New York. A very small percentage of the waste is disposed by incineration.

The IC&I sector generates approximately 65% (about 6.7 million tonnes) of the waste that is disposed annually. Approximately one-third of this waste is shipped to the United States. The remaining 35% of the waste that is disposed is generated by the residential sector; about a third of that waste is also shipped to the United States. In August 2006, the province secured the commitment of the larger Ontario municipalities to stop cross-border shipments of municipally managed waste to Michigan by the end of 2010. The province's commitment affects only residential waste exported by municipalities; it does not affect waste exported by waste management companies serving the IC&I sector. Seven Ontario municipalities were shipping over 1 million tonnes of waste annually to Michigan. According to this commitment, the municipalities were to implement a 20% reduction in their shipments of waste by the end of 2007 and an additional 20% reduction by the end of 2008, achieving 100% by the end of 2010.

Figure 7: Ontario Waste Disposal, 2006

Source of data: Statistics Canada and Ministry of the Environment

Method of Disposal	Tonnage (million)	Waste Disposed (%)
disposal sites in Ontario	6.6	63
disposal sites in the U.S.	3.7	36
thermal treatment in Ontario	0.1	1
Total	10.4	100

Since 2006, the Ministry has maintained the Landfill Inventory Management System (LIMO), which tracks information such as total approved capacity, remaining capacity, annual waste received, service area, and waste type on the 32 largest landfills in Ontario. Twenty-three of these landfills belong to the municipal sector, and the remaining nine to the private sector. These 32 landfills receive approximately 85% of total waste disposed in Ontario. The Ministry does not track capacity in the more than one thousand smaller landfills that receive the remaining 15% of total waste disposed in Ontario.

Landfill Capacity in the Province

According to LIMO's estimate, in 2008 the remaining capacity in the 32 largest landfills was expected to last approximately 25 years at the then-current fill rate. Because residential waste from Ontario can largely no longer be shipped to Michigan after 2010, an additional 1 million tonnes of waste will have to be deposited annually in landfills in Ontario, which will exhaust their capacity much sooner.

One in five municipalities that responded to our survey felt that they had insufficient disposal capacity for their residential waste. Overall, to develop additional disposal capacity, municipalities felt that, in addition to finding new landfill sites or expanding existing ones, pursuit of alternative technology and implementation of diversion programs would help them meet their waste disposal needs. Although some recent landfill expansions have taken place, municipalities generally indicated that their residents tend to reject the opening of new landfills as a solution to increasing capacity.

Our research on waste management practices in other jurisdictions revealed that European countries such as Belgium, Germany, the Netherlands, and Sweden thermally treat between 35% and 50% of the total waste they generate. As indicated earlier, Ontario incinerates only about 1% of the waste it generates. At the time of our audit, there was one commercial-scale thermal treatment facility, which had been operating since 1992. From thermal treatment, the facility generates electricity, which it sells to the electrical grid, and sends steam to a nearby industrial plant. Municipalities, in our discussions, indicated that the provincial government needs to take more of a leadership role in communicating that thermal treatment facilities—for example, energy-from-waste facilities— are a viable option for waste disposal. They indicated that municipal councils across the province were divided on the virtues of this technology and that a clear message from the provincial government on the use of such facilities would help in uniting the opinions of the various councils in this regard.

RECOMMENDATION 6

To increase Ontario's capacity to dispose waste, the Ministry of the Environment should take a leadership role in working with municipalities and other stakeholders to research and adopt alternative waste disposal technologies such as the thermal treatment facilities that are in use in other jurisdictions.

[illegible]

The Ministry's priority is to reduce waste generation and divert as much waste as possible from disposal by supporting initiatives that accomplish this in a safe and environmentally responsible manner.

Municipalities and businesses are responsible for deciding how they will manage their

waste. The Ministry provides guidance to make sure the selected options both meet environmental standards and do not discourage other efforts to reduce, reuse, and recycle waste. To this end, the Ministry will continue to engage with Ontario businesses and municipalities on approaches for addressing their waste management needs that take into consideration available landfill capacity, changes in diversion, and alternative technologies for waste disposal, including facilitating the testing of these technologies.

Monitoring of Waste Disposal Sites and Waste Management Systems

Certificates of Approval

Under the *Environmental Protection Act*, before commencing operations, new waste disposal sites, waste processing facilities, and waste management systems require a certificate of approval from the Ministry. Existing sites, facilities, and systems also require an updated certificate of approval if they expand or significantly alter their operations. A certificate of approval contains site-specific conditions to ensure that the operation will not have an adverse impact on the environment. It includes a number of requirements on the design, use, operation, and maintenance of equipment and processes for the appropriate handling, disposal, and storage of non-hazardous waste. For private-sector waste management operations, certificates of approval also contain a requirement to provide financial assurance so that funds are available to the provincial government should the owner become unable or unwilling to fulfill legislative requirements.

On average, the Ministry approves approximately 600 to 700 certificates a year for non-hazardous waste disposal sites, waste processing facilities, and waste management systems, recording the individual certificates in a database called the Integrated Divisional System (IDS). As Figure 8 shows, as of March 2010, the Ministry had issued approximately 5,500 certificates of approval for non-hazardous waste sites, facilities, and systems.

Figure 8: Certificates of Approval for Non-hazardous Waste Sites, Facilities, and Systems Issued by the Ministry of the Environment, as of March 2010

Source of data: Ministry of the Environment

Type of Site	# of Certificates
closed disposal sites	1,300
active disposal sites	1,100
processing or transfer facilities	760
waste management systems	2,300
Total Non-hazardous Waste Certificates	**5,460**

Reviewing Certificate-of-Approval Applications

The Ministry has no service delivery standards for the time it takes to review the non-hazardous waste certificate-of-approval applications it receives. Based on our review of a sample of files for certificates issued in 2008 and 2009, the average length of time to issue a certificate from the date of the application was 10 months. By comparison, the Ministry's standard for reviewing certificates for hazardous waste sites, facilities, and systems is 50 days. The Ministry informed us that the time required for the review of the application depends on a number of factors, such as the type, complexity, and completeness of the application. As of May 2010, approximately 480 non-hazardous waste certificate-of-approval applications awaited approval, 8% of which had not been assigned to any review engineers. Of the applications that were being reviewed by the engineers, the reviews had to that point taken an average of eight months.

The Ministry charges a fee for each certificate-of-approval application that it processes. In the 2009/10 fiscal year, the Ministry collected $383,000 in fees from about 700 applications. We noted that the fee is based on a 1999 per diem rate established by the Professional Engineers of Ontario—the regulating body for engineers in the province. The per diem rate has since increased, but that increase has not been reflected in the Ministry's application fee. As a result, the Ministry estimated that only about two-thirds of its current costs for reviewing the certificate applications are recovered through these fees.

Updating Certificates of Approval

The Ministry has been issuing non-hazardous waste certificates of approval since the 1970s. These certificates do not have expiry dates. Any updates to the existing certificates must therefore be initiated either by the Ministry (if there are significant changes in the standards under which these sites, facilities, and systems operate) or by the owner (if operations are significantly expanded or altered). We noted that in some North American jurisdictions, certificates of approval have terms of between five and ten years and then they have to be renewed.

In 2005, the Ministry realized that the conditions in the certificates of approval for waste management sites, facilities, and systems needed to be updated to reflect changes in standards, and developed protocols for updating the conditions. But at the time of our audit, we noted that the Ministry did not know how many of the certificates actually required updating. As a result, many of these sites, systems, and facilities operate under different environmental standards. For instance, a 1998 regulation specified more stringent requirements for landfill design, operations, closure, post-closure care, and financial assurance for new or expanding landfills larger than 40,000 cubic metres that accept only municipal waste for disposal. But only some of the province's larger landfills currently operate under this new standard.

When a certificate's conditions are updated, the Ministry usually attaches amendments to the existing certificate rather than issuing a new certificate. For instance, we noted that one waste transfer station, which had its original certificate issued in 1991, had been issued 25 amendments to that original certificate between 1991 and 2008. Some were amendments to previous amendments, not to the original certificate. A number of ministry inspectors we interviewed informed us that the Ministry's practice of issuing amendments as attachments creates confusion for the operators and for ministry inspection staff, because tracking the requirements in numerous amendments becomes difficult. A number of municipalities that responded to our survey also indicated that managing numerous stand-alone amendments to the original certificate instead of one consolidated certificate is onerous.

Financial Assurance

Regulations under the EPA require the Ministry to collect financial assurance from all private-sector landfill sites. It is also ministry policy that certificates of approval for other private-sector waste management operations contain a requirement to provide financial assurance. Financial assurance provides the Ministry with security to ensure that taxpayers are not responsible for costs of the cleanup of any contamination caused by landfills and other waste management operations. To ensure that the amount of the financial assurance is still sufficient, as the operations of the waste management sites and facilities change, operators are to re-valuate the financial assurance and submit the re-valuation to the Ministry for review. Often, conditions in a certificate of approval require a periodic review of the amount of the financial assurance. As of March 2010, the Ministry held over $232 million in financial assurance for non-hazardous waste sites and facilities. In the five-year period between 2005 and 2009, the Ministry has had to use only $8 million of assurance funds to clean up non-hazardous waste sites and facilities. With respect to the Ministry's collection of financial assurance, we noted:

- The Ministry, for the most part, had been successful in collecting the required financial assurance. However, there were still a number of certificates of approval that had been issued without the Ministry collecting the required financial assurance from the operator prior to issuing the certificate. The total amount outstanding as of March 31, 2010, was approximately $20 million.

- The Ministry had not thoroughly followed up on the re-valuations of financial assurance or reviewed the submitted re-valuations on a timely basis. Many of the re-valuations or the Ministry's reviews of submitted re-valuations had been due for nearly four years, with some due as far back as 1996.

RECOMMENDATION 7

To better facilitate compliance with certificates of approval for non-hazardous waste management sites, facilities, and systems, the Ministry of the Environment should:

- review its existing certificates, especially for the larger or more environmentally risky operations, to ensure that they reflect current standards and operations and revise those that need updating;
- in cases where numerous amendments have been issued to an existing certificate, consolidate the amendments into one, new certificate;
- develop a standard for the time it should take to review certificate-of-approval applications for non-hazardous waste operations and review the outdated application fee it charges to ensure that it reflects the cost of processing the applications; and
- collect, follow up on, and review the re-valuation of the required financial assurance, especially for the larger operators, on a timely basis.

[illegible]

The Ministry receives approximately 6,500 certificate-of-approval applications annually. In recent years, increasingly stringent environmental requirements, a more transparent approvals process, and an increasing volume of applications resulted in a significant backlog in the Ministry's approvals program. In September 2009, the Ministry successfully eliminated this backlog by implementing significant business-process improvements, such as streamlining review processes to reduce turnaround times.

Over the next two years, the Ministry will continue to modernize the approvals program with the development of a registry for low-risk activities, a strengthened environmental compliance approval for higher-risk activities, and an electronic service-delivery system. The program will also address specific recommendations made by the Auditor General, including regular review of existing certificates to ensure that they are current, consideration of the development of standards for turnaround times, and an assessment of associated fees.

In the meantime, the Ministry has undertaken a number of activities to address the Auditor General's recommendations. It has implemented a risk-based approach to updating certificates of approval for landfills to ensure that they meet current standards and are protective of the environment. The current focus is on the 32 larger landfill sites because they receive more than 85% of the waste that is destined for landfill in Ontario. The updating of their certificates of approval will be completed by late September 2010. In addition, existing certificates of approval are now being updated when a facility requests an amendment to its operations or when the Ministry identifies a site-specific environmental issue.

The Ministry has instituted a new approach to the current practice of amending certificates of approval. A consolidated certificate of approval will be issued that will include the original plus any subsequent notices of amendment.

In 2008/09, the Ministry completed a review of and updated all financial assurance requirements for potentially high-risk hazardous-waste and liquid-industrial-waste receivers. In March 2009, the Ministry implemented an automated system that enables follow-up on financial assurance requirements. Numerous certificates

of approval have been updated with stronger financial assurance requirements. The Ministry will use this approach to focus now on the non-hazardous waste sector.

Inspections

The Ministry inspects waste management sites, facilities, and systems to ensure that regulatory requirements are met and that no adverse environmental impacts result from their operations. When the Ministry's environmental officers inspect these sites, facilities, and systems, they generally inspect against the conditions in their certificates of approval. The Ministry annually inspects approximately 9% of all active and closed waste disposal sites, 15% of processing facilities, and 10% of waste management systems. We noted that between the 2005/06 and 2009/10 fiscal years, the total number of inspections dropped by 22%. According to the Ministry, this drop was a result of devoting more resources to monitoring in the Ministry's air, water, and hazardous waste programs.

The Ministry's method of selecting sites and facilities for inspection is predominantly based on previous non-compliance history and complaints from the public. We reviewed the Ministry's inspection procedures and a sample of files and noted the following:

- Inspectors identified many examples of non-compliance with the certificate of approval's conditions, such as waste stored or loaded outside, exceeding waste limits, elevated levels of methane gas, groundwater impacts exceeding ministry guidelines, odour, and burning of non-wood waste. However, in about 25% of the files that we reviewed, the Ministry did not provide deadlines for operators to take corrective action. In the files that had timelines imposed on remediation actions or where timelines were imposed as part of a certificate-of-approval condition, over 40% were not followed up on by the Ministry on a timely basis. On average, the Ministry took a year after the deadline had passed to follow up on whether the operator had taken required action.
- Non-hazardous waste management sites and facilities are often required, as a condition of their certificate of approval, to submit an annual report to the Ministry. The annual report, which provides the Ministry with an additional tool (aside from inspections) for monitoring waste management operations, contains information such as the volumes of waste managed, operational and environmental problems encountered, and mitigating actions taken, as well as an assessment of groundwater quality. Similar to the issue raised in our *2007 Annual Report* on hazardous waste, the majority of the ministry inspectors we interviewed indicated that there were no procedures in place to track when time-sensitive materials such as these annual reports were due, nor was there an alert through the Ministry's system to notify the inspectors when these were due. In our sample, we noticed that a number of sites were late in submitting their annual reports, with one site submitting an annual report only twice in the last seven years.
- As of March 2010, 70 landfills had submitted groundwater and surface-water analyses that the Ministry's technical staff hadn't reviewed. The average age of the unreviewed submissions was over seven months.

RECOMMENDATION 8

To improve its monitoring of non-hazardous waste management operations for compliance with legislative requirements, the Ministry of the Environment should:

- impose time frames for corrective action where inspections detect cases of non-compliance, and follow up to ensure that

the required remedial action has been taken within the required timelines; and

- **ensure that time-sensitive materials such as annual reports from non-hazardous waste management operations are submitted and reviewed on a timely basis.**

[illegible]

An important part of the Ministry's regulatory oversight is its risk-based inspection program. Each year, the Ministry's inspection resources are allocated to address environmental risks in various facilities and sectors around the province. The Ministry's compliance policy provides direction and guidance to environmental officers on the use of voluntary and mandatory abatement actions to address non-compliance. By April 2011, the Ministry will have implemented changes to its policy to address the imposition of specific timeframes for corrective action for non-compliance, as well as standard procedures for ministry follow-up on the implementation of required remedial action.

The Ministry will also implement procedures by April 2011 to ensure that it tracks the submission of annual reports from non-hazardous waste management operations and that these reports are reviewed in a systematic manner. These procedures will also outline the follow-up that will take place when annual reports are not submitted.

MEASURING PROGRESS IN WASTE DIVERSION

The waste diversion rate is defined as the total quantity of waste diverted from disposal as a percentage of the total waste generated. The Ministry uses this indicator to gauge how successful Ontario has been in diverting waste from landfills. Over the course of our audit, we noted that certain limitations in calculating the diversion rate make the indicator less than precise:

- Diversion can be achieved through reusing, reducing, or recycling the waste that is generated. Recycling can be measured for the most part by surveying municipalities and private-sector recycling and composting facilities regarding the actual amounts of recyclable materials that have been marketed or processed, but reuse and reduction activities are by their nature more difficult to measure.
- With respect to recycling activities, it is difficult to capture the results of activities that are conducted by the waste generators themselves (for example, backyard composting).
- Any waste materials transported by the waste generator directly to secondary processors (such as pulp and paper mills), thus bypassing recycling or composting facilities or municipalities involved in waste management activities, are difficult to capture.
- Definitions of what constitutes recycling vary, making meaningful jurisdictional comparisons problematic.
- Diversion is usually measured in terms of tonnage. Heavier materials such as glass can have a disproportionate effect on the diversion rate in relation to their volume if the recycling of such materials suddenly begins or ceases.

Alberta and Nova Scotia have begun to use a per capita waste disposal rate to measure diversion. Such a rate is more objective and simpler to calculate, because it requires only measuring the amount of waste that is annually disposed divided by population. A lower per capita disposal rate over time would indicate greater diversion. The Ministry should assess the benefits of adopting an alternative performance indicator, such as the per capita waste disposal rate, to gauge the success of waste diversion activities.

RECOMMENDATION 9

The Ministry of the Environment should assess the benefits of adopting an alternative performance indicator, such as the per capita waste disposal rate, because it is more straightforward to calculate and is likely a more accurate and reliable measure of waste diversion in Ontario that will facilitate benchmarking progress relative to other jurisdictions.

The Ministry recognizes the importance of developing performance indicators that provide reliable and accurate measures of waste diversion efforts to benchmark our progress. The Ministry will consider this recommendation as part of our ongoing review of the waste diversion framework.

Chapter 3
Section
3.10

Ministry of Health and Long-Term Care

Organ and Tissue Donation and Transplantation

Background

Organ and tissue donation and transplantation can save or enhance the lives of many individuals. In the 2009/10 fiscal year, almost 1,000 organ transplants (from over 550 donors) were carried out at the eight Ontario hospitals that perform transplants. Although most organs and tissue are donated by deceased donors, kidneys and livers (and, in rare cases, lungs) can also be donated by living donors. Further, the number of organs being transplanted has risen, as shown in Figure 1. As well, donations of tissue, such as eyes and bones, can enhance lives—for example, by restoring sight or improving mobility through a hip or knee replacement. The majority of organ and tissue donations in Ontario occur at 21 hospitals. As of March 31, 2010, over 1,600 people were waiting for an organ transplant in Ontario. Most were waiting for either a kidney or a liver transplant, as shown in Figure 2.

The *Trillium Gift of Life Network Act* gives the Trillium Gift of Life Network (Network) the authority and responsibility for, among other things, co-ordinating the donation of organs and tissue, as well as co-ordinating some transplantation-related activities, such as wait-list management. The

Figure 1: Number of Organ Transplants in Ontario, 2002/03–2009/10

Source of data: Trillium Gift of Life Network

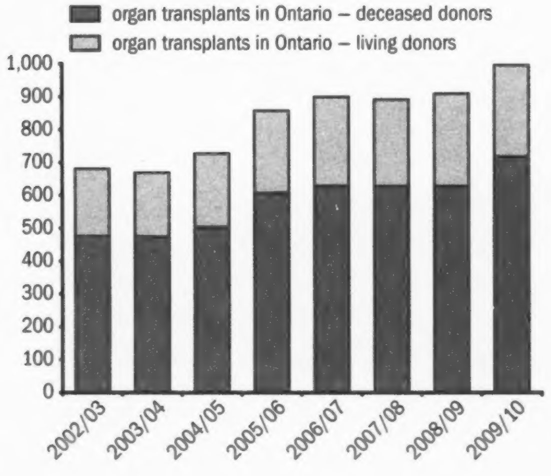
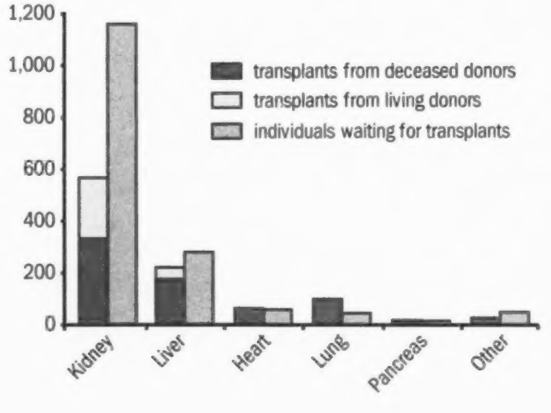


Figure 2: Number of Transplants, 2009/10, and Number of People Waiting, as of March 31, 2010

Source of data: Trillium Gift of Life Network



Network, which began operations in 2002 and is an agency of the Ministry of Health and Long-Term Care (Ministry), has a staff of about 100.

As well as enhancing lives, organ transplants can also save money. For example, although each kidney transplant surgery costs hospitals about $25,000, dialysis costs approximately $70,000 annually per patient. Ministry funding to the Network and transplant hospitals for co-ordinating and conducting transplants in the 2009/10 fiscal year was approximately $100 million. The majority of this funding went to the eight hospitals that perform transplants, to help cover patient care associated with transplant surgery; hospitals use general ministry funding to cover any additional costs. The two hospitals we visited estimated that their total annual transplant program costs were about $11 million and $50 million, respectively. These costs exclude most physicians' services, such as surgeons' services, that are provided to hospital patients and paid for by the Ministry to physicians through the Ontario Health Insurance Plan (OHIP). The Network received $19 million, of which $1.6 million was paid primarily to the 21 donor hospitals to help with the costs of managing organ donors, such as operating-room costs for organ retrieval.

Ontario's six tissue banks, which are run by various institutions (primarily hospitals) to store tissue, do not receive specific ministry funding, although hospitals may use their general ministry funding to cover associated costs. Because each hospital purchases its own tissue, no provincial total for spending on tissue was available.

Audit Objective and Scope

Our audit objective was to assess whether there are adequate policies, procedures, and systems in place, including at the Trillium Gift of Life Network, to meet the organ and tissue needs of Ontarians in an efficient and fair manner. Our work did not focus on the living-donor programs in transplant hospitals because the Network has limited involvement in living-donor transplants and because deceased-donor transplants are the most common type of transplant.

Our audit work was largely conducted at the Network, with visits to two transplant hospitals: the University Health Network in Toronto and the London Health Sciences Centre in London. In conducting our audit, we reviewed relevant files, systems, and administrative policies and procedures; interviewed Network, hospital, and ministry staff; and reviewed relevant research obtained from organ procurement organizations in Canadian and other jurisdictions. As well, we spoke with physicians from other transplant and donor hospitals, and with two of the tissue banks, in addition to representatives from Canadian Blood Services and from the Ministry's Organ and Tissue Transplantation Wait Times Expert Panel. We also reviewed data on transplants from the OHIP system and from the Discharge Abstract Database maintained by the Canadian Institute for Health Information. As well, we engaged independent consultants, with expert knowledge of organ and tissue donation and transplantation, to assist us.

We did not rely on the Ministry's internal audit service team to reduce the extent of our audit work, because it had not conducted any recent audit work on organ or tissue donation and transplantation. The Network does not have an internal audit function.

Summary

The establishment of the Trillium Gift of Life Network (Network) in 2002 has enhanced the province's ability to meet organ and tissue transplant needs. The Ministry and hospitals have also instituted initiatives that contributed to this enhancement. For instance, the photo health-card application process specifically asks whether the person consents to organ donation, and 27% of people with a photo health card have made this declaration. As well, in 2009/2010, the first full fiscal year the Network had access to the Ministry's consent registry, the number of deceased organ donors reached record levels, increasing 20% over the previous year. Further, since the Network's establishment in 2002, the number of deceased donors per million people has increased from 11.3 to 16.7 donors in 2009, as shown in Figure 3.

On the other hand, we believe that certain changes could be made that, over time, could help reduce wait times for organs. Doing so would not only save lives, but also improve the quality of life for hundreds of Ontarians. For instance, there are 40 hospitals that do not routinely inform the Network when there are potential donors, even though these hospitals have the necessary medical technology to maintain organs for transplant. As well, until August 2010, many Ontarians signed the donation consent card that came with their driver's licence renewal package and kept the card in their wallet. However, signing this card was almost meaningless, because hospitals did not go into patients' personal effects to see if they had signed it. Further, this type of consent was not included in the Ministry's consent registry, which is what the Network uses to determine whether a potential organ donor has previously consented to organ and/or tissue donation.

Many people wait years for a transplant; others die while waiting. However, we noted that kidneys and livers were not always allocated to the highest-priority patient, owing to hospital concerns about decreasing the number of organ donors if organs did not remain in the same region of the province as the donor. Further, there was a lack of oversight of organ and tissue transplantation activities in Ontario, which is needed to ensure compliance with best-practice standards, such as ensuring that patients are consistently prioritized on the wait-list, that the highest-priority patient receives the first compatible organ available, and that hospitals performing transplants are proficient at doing so.

Some of our other more significant observations include the following:

- There was a lack of consistent clinical criteria on when hospitals should refer potential donors to the Network, resulting in many referrals that were either made too late or just not done. One hospital that already did a number of transplants each year doubled its number of organ donors after implementing such clinical criteria.
- Since 2006, the Network and the transplant and donor hospitals have facilitated organ donation after cardiac death (previously done only when there was a formal determination of brain death), thus increasing the pool of potential donors.
- Only 15,000 of the 4 million Ontarians who still have red-and-white health cards had registered their consent to donate organs and/or tissue, partly because doing so requires sending a form to ServiceOntario (a process they may not be aware of) or waiting until they obtain a photo health card. In contrast, 1.9 million (or 27% of) people with photo health cards had registered their consent. Consent registration rates also vary significantly across the province, from a low of

Figure 3: Number of Deceased Donors per Million People, by Region and Canada-wide, 2002–2009

Source of data: 2002–2008 Canadian Institute for Health Information; 2009 estimated by Trillium Gift of Life Network

	2002	2003	2004	2005	2006	2007	2008	2009
Atlantic	16.8	15.0	10.9	17.2	18.7	15.1	15.5	14.1
Ontario	11.3	11.6	12.3	11.8	13.6	15.5	13.7	16.7
Quebec	16.9	19.0	18.2	18.6	18.3	18.4	19.6	17.6
West	11.5	11.2	10.8	9.5	11.4	11.8	12.6	9.4
Canada-wide	13.0	13.4	13.1	13.0	14.3	14.9	14.7	14.4

under 10% in Toronto to a high of over 40% in Sudbury.

- Hospitals indicated that eligible patients requiring a new organ were not always referred for transplantation. For example, the Canadian Society of Transplantation notes that patients with end-stage kidney disease should generally be considered for kidney transplantation, and that a kidney transplant provides a higher quality of life, can increase life expectancy, and is less expensive than dialysis; but of those Ontarians on dialysis (almost all of whom have end-stage kidney disease), only 13% were on a kidney wait-list. Further, this percentage varied from a low of only 3% in the South East LHIN to a high of 16% in the Champlain LHIN.
- There are no target maximum wait times for organ transplants, as recommended by the 2009 Organ and Tissue Transplantation Wait Times Expert Panel, and wait times by organ type were generally not publicly available. The Network indicated that individual kidney patients are generally not given high-priority status for transplants, because dialysis is a life-sustaining alternative. Although little Canadian research exists, a U.K. study found that the remaining life expectancy of dialysis patients on a kidney transplant wait-list was tripled by a successful transplant.
- Wait times for some organs varied significantly, depending on where in Ontario the patient lives. For example, in 2009/10, 90% of kidney recipients received a kidney within four years in one region, compared to about nine years in two other regions.
- There is no periodic independent review of the Network's allocation of organs to recipients. In over 40% of the cases we reviewed, organs were not allocated to the highest-priority person, and no documentation was kept to explain why. Further, transplant hospitals generally cannot identify organ misallocations, because they cannot determine where their patients stand on the wait-lists. (This restriction also prevents the hospitals from giving patients a rough idea of their wait-list position.)
- Transplant hospitals do not have electronic access to donor information, such as medical history and laboratory results, needed to determine an organ's viability for their patient. And because such decisions need to be made quickly, they generally rely on the Network to verbally communicate this information, increasing the risk that decisions may be made using incomplete or inaccurate information.
- Less than 8% of Ontario's tissue needs were met with Ontario tissue, due to a lack of resources to recover, process, and store it, which resulted in hospitals purchasing tissue elsewhere (often from the United States and Quebec). Neither the Network nor the Ministry had current information on the costs being incurred to purchase tissue, the capacity for processing and storing tissue in Ontario, or the extent of the unmet demand for tissue.
- Unlike the United States, Ontario does not require transplant hospitals or surgeons to demonstrate proficiency through a minimum number of yearly organ transplants and a minimum survival rate for recipients. One Ontario hospital performed only six transplants in the 2009/10 fiscal year, whereas the U.S. minimum requirement is generally 10 per year for a hospital to be approved to do transplants.

[illegible]

The Trillium Gift of Life Network (Network), Ontario's organ and tissue donation organization, is responsible for all aspects of organ and tissue donation in the province of Ontario. Between its establishment in 2002 and 2009, the Network has led an increase in deceased organ donors within the province of 59%, a record which exceeds other Canadian jurisdictions and which the Network believes also exceeds

many American jurisdictions. With respect to tissue donation for research, teaching, and transplantation, the Network has led a 61% increase in donors in the last two years.

Yet, the Network would be the first to acknowledge how much more can be done to increase both organ and tissue donation in Ontario. For that reason, the Network welcomes the recommendations of the Auditor General, as we believe that their implementation will further strengthen our efforts. The Network is committed to implementing the Auditor General's recommendations in the coming years.

[illegible]

The Ministry of Health and Long-Term Care (Ministry) supports the findings and recommendations outlined by the Office of the Auditor General and can confirm that the key directions are being implemented.

In 2007, the Ministry announced the Organ Donation Strategy and, in 2009, established the Organ and Tissue Transplantation Wait Times Expert Panel, which submitted its report with recommendations in June 2009. In implementing the Organ Donation Strategy and responding to recommendations from the Expert Panel, the Ministry, in partnership with the Trillium Gift of Life Network (Network) and with the assistance of ServiceOntario and other ministries, has implemented a number of systemic enhancements aimed at improving the identification of potential donors, consent rates, and registration, and the availability of organs and tissue for donation. It is important to note that the number of completed transplants has grown by 11% between the 2006/07 and 2009/10 fiscal years.

The Ministry acted quickly on the Expert Panel's recommendations by establishing the Transplant Action Team comprising representatives of the transplant community, the Network, and the Ministry. The team is developing a new model of patient care for organ and tissue donation and transplantation that will incorporate many of the recommendations. The Ministry will continue to move forward with implementation of the recommendations of the Auditor General and others, and is fully committed to improvements that will lead to more transplants for Ontarians, including improving processes related to the identification of organ and tissue donors, consent to donation, and the delivery of care to individuals both giving and receiving organs, and their families.

Detailed Audit Observations

THE DONATION PROCESS

People can have their consent to donate organs and/or tissue after they die recorded on the consent registry maintained by the Ministry when they obtain or renew their photo health card with ServiceOntario. (ServiceOntario provides access to Ontario government information and services.) If the person consents, his or her new health card indicates "donor" on the back. For people who still have a red-and-white health card, or those not wishing to wait for their photo health card to be renewed, consent can also be recorded on the Ministry's registry by completing a form and mailing it to ServiceOntario. If people have the red-and-white health-card, a sticker indicating "donor" is sent to them to put on the back of their card, while photo health-card holders will receive an updated card. Until August 2010 many other people signed the consent card that came with their driver's licence renewal and may continue to keep the card in their wallet. However, people who have only signed this card are typically not aware of the need to also fill out the consent registry form and submit it to ServiceOntario, and therefore are not included on the Ministry's consent registry (which is generally the only source the Network uses to determine whether a person has consented to donate organs and/or tissue). Further, even if potential donors had their wallet with them when admitted to hospital, personal belongings such as wallets are often brought home by a family member. Therefore, hospital staff generally do not have access to any consent card that may be in a person's wallet when the decision to donate organs and/or tissue is being considered.

According to the *Trillium Gift of Life Network Act*, the Network must be notified of the death or imminent death of patients at all hospitals that have mechanical ventilators unless the Network specifies otherwise. Mechanical ventilators provide life support by maintaining a potential donor's breathing, enabling the donor's organs to receive oxygen and therefore preserving their viability until transplantation can be arranged. In practice, although 61 Ontario hospitals have the appropriate type of ventilator, the Network requires only 21 hospitals to report data on ventilated patients whose death is imminent or who have just died. Once such a report is received, Network staff on-site at the hospital, in conjunction with the hospital and with staff at the Network's head office, determine the patient's suitability for organ or tissue donation. This process generally involves determining which of the potential donor's organs are likely to be viable for transplant, with input from the Network's medical advisers if needed.

If there are viable organs, the Network contacts the Ministry, which has someone available around the clock to determine whether the patient had registered on the Ministry's consent registry. Regardless of whether the patient had registered or not, a Network staff person or a health-care practitioner (such as a doctor or nurse) at the hospital asks the next of kin to consent to donating the patient's organs and/or tissue. This person also lets the next of kin know whether or not the patient's consent was on the Ministry's registry.

If consent for donation is received, the Network generally identifies the next potential recipient on the wait-list for each organ, and offers each organ to that patient's transplant hospital. If an organ is rejected (for example, because it is an inappropriate size for the patient), the Network contacts the transplant hospital where the next potential recipient on the wait-list would receive his or her transplant.

Once the organ is accepted, the transplant hospital generally sends a physician to recover the organ. The Network may make administrative arrangements for the recovery and transplantation of the organ, such as arranging to transport the organ and working with both the donor and recipient hospitals to schedule operating-room time. As well, for tissue donations, Network staff may arrange for the tissue's recovery and transfer to the appropriate tissue bank.

INITIATIVES

Since 2002, the Ministry and the Network have commenced various initiatives to increase organ and tissue donation and improve the transplantation process.

Ministry initiatives include:

- The 2007 report by the Citizens Panel on Increasing Organ Donation: This report, which reflected the views and opinions of Ontarians, made observations about ways to increase organ donation rates.
- The 2009 report by the Organ and Tissue Transplantation Wait Times Expert Panel: This report included recommendations related to increasing the number of organ and tissue donors and ensuring equitable access to organs and tissue based on clinical evidence. Subsequently, a Transplant Action Team was established to address the recommendations and work toward a provincially integrated system for donation and transplantation in Ontario.
- Assistance for living donors: In 2008, a program was implemented to reimburse expenses (such as travel costs and lost wages) incurred by living donors, with a view to increasing

the number of these individuals. Moreover, in 2009, job protection was legislated for people who take time off work to donate an organ to another person.

Network initiatives include:

- staffing 21 hospitals with medically knowledgeable individuals who manage potential organ donors, review records to identify potential donors who were missed, and provide education to hospital staff to help improve donation rates;
- facilitating, in conjunction with the donor and transplant hospitals, donation for patients after cardiac death (whereas previously, donation was done only after a formal determination of brain death), thereby increasing the pool of potential donors; and
- engaging community groups and religious leaders to raise awareness of the benefits of organ donation.

Further, individual hospitals have engaged in various projects aimed at raising local awareness of the benefits of organ donation and transplantation—for example, organizing donor-family appreciation events and initiating educational tools for use in the school system.

ORGANS

Identifying and Referring Donors

Organ Donor Hospitals

To assist in identifying potential donors, under the *Trillium Gift of Life Network Act,* the Network can require two types of hospitals to notify it as soon as possible when a patient dies or the physician is of the opinion that the patient's death is imminent:

- hospitals that provide neurosurgical or trauma services, because these hospitals have ventilators and because individuals who sustain a fatal head injury or other major trauma are often candidates for organ donation; and
- hospitals that are able to make a neurological determination of death (that is, brain death), which is completed by conducting an assessment while the patient is on a ventilator.

As of January 2007, the Network required 21 hospitals with advanced ventilator capacity (that is, hospitals that can provide prolonged support for breathing or support for more than one organ) to report deaths or imminent deaths in their intensive-care units or emergency departments. The Network indicated that, given limited resources, it had decided to focus its efforts on these 21 hospitals, which are referred to as Tier 1 hospitals. In the 2008/09 fiscal year, these hospitals accounted for almost 90% of all organ donors in Ontario. Other hospitals can report if they choose to do so.

Because ventilated patients who are dying are the people most likely to become organ donors, one indicator of a hospital's organ donor potential is the number of patients who die while on a ventilator. We noted that 61 Ontario hospitals have advanced ventilator capacity, including the 21 Tier 1 hospitals. Using data provided by the Ministry of Health and Long-Term Care (Ministry), we reviewed the number of ventilated deaths (that is, patients who were on a ventilator at the time of their death) in the intensive-care units and emergency departments at the 40 hospitals that were not required to report to the Network. Overall, we noted that 40% of ventilated deaths province-wide occurred in the intensive-care units and emergency departments of those 40 hospitals. However, at the time of our audit, these hospitals referred to the Network only about 2% of patients who died while on a ventilator. Further, these hospitals may have additional potential donors, because we did not review deaths that occurred after patients were taken off a ventilator. Requiring these hospitals to report deaths and imminent deaths of ventilated patients to the Network, as is required of the 21 Tier 1 hospitals, might help address the long wait-lists for some organs, especially kidneys and livers (as shown in Figure 2).

The 2009 report of the Ministry's Organ and Tissue Transplantation Wait Times Expert Panel (Expert Panel) recommended that these 40 hospitals be required to notify the Network about potential organ donors. A similar recommendation requiring more hospitals to refer potential donors was also made by Premier Harris's Advisory Board on Organ and Tissue Donation in its 2000 report.

We noted that, in September 2008, the Network submitted its 2009/10 Business Plan to the Ministry, in which it indicated that it planned to increase the number of hospitals required to report deaths or imminent deaths to the Network. Further, in 2009, in an effort to increase organ donations, the Network assessed the donation potential of three of these 40 hospitals, based on their prior referral history. However, at the time of our audit, the Network had not finalized its assessment of the three hospitals or decided whether any of the 40 hospitals would be required to report potential donors to the Network in the future.

Identifying Potential Donors

In Ontario, there are two types of deceased organ donors: donors for whom a neurological determination of death (NDD, or brain death) has been made, and donors who donate after cardiac death (DCD, or heart death). To help identify all potential organ donors for referral to the Network, hospitals may establish criteria, called clinical triggers, for staff to use in determining which patients may be potential organ donors. Such criteria may include the patient having low neurological activity, such as a score of five or less on the Glasgow Coma Scale; the patient being intubated (that is, having a tube inserted down the windpipe to facilitate breathing); the patient being ventilated (attached to a machine that assists with breathing); and the physician having had an end-of-life discussion with family and/or with other health-care providers.

In 2006, the Network noted that when clinical triggers were implemented at one large Ontario hospital that already did a number of transplants each year, the number of organ donors from this hospital doubled in comparison to the previous year. Further, the Expert Panel recommended that all Ontario hospitals with advanced ventilator capabilities adopt standard clinical trigger policies for NDD and DCD cases. One of the hospitals we visited supported the use of standardized clinical triggers in all Tier 1 hospitals; the other indicated that it had not formalized clinical triggers, and thought these should be left to the clinical experts at each hospital. We also noted that Australia was implementing standardized clinical triggers for all intensive-care units and emergency departments in early 2010.

One challenge, particularly at hospitals in remote locations, is insufficient expertise to evaluate whether an individual is a potential organ donor. Therefore, the Expert Panel recommended that CritiCall and the Emergency Neurosurgery Image Transfer System be used to assist in identifying potential donors. CritiCall is a 24-hour medical emergency referral service that Ontario's hospital-based physicians can call when a critically ill patient requires an assessment and/or transfer to a more specialized facility. The Emergency Neurosurgery Image Transfer System enables computed tomography (CT) images, which physicians can use to declare brain death, to be viewed by neurosurgeons anywhere in the province. At the time of our audit, the Ministry's Transplant Action Team, responsible for reviewing and implementing the recommendations made by the Expert Panel, was reviewing this recommendation.

Donation after Neurological Death

People who have no brain activity and who are on a ventilator to maintain breathing are potential NDD donors. According to the Network's data, three of the 21 Tier 1 hospitals had not developed clinical triggers for helping staff identify potential NDD donors.

For the other 18, we noted differences in the clinical triggers used. For example, they used different referral cut-off levels, as measured by the Glasgow Coma Scale. Further, the hospitals' policies did not clarify whether all or only one of the clinical triggers needs to be met; nor did they clarify whether an end-of-life discussion should be planned, actually held among health-care team members, or held between the family and the health-care team prior to referral. The absence of clear clinical triggers may result in missed referrals by hospital staff, particularly less experienced staff.

We were informed that the Network has not developed standardized NDD clinical triggers for all Tier 1 hospitals to use because hospitals that have physicians who are experienced with organ donation generally prefer less guidance than other hospitals, and physicians prefer to establish their own clinical triggers and use their own judgment.

Donation after Cardiac Death

Europe and the United States have been completing transplants with organs from DCD donors for over 30 years. A family's decision about DCD donation is made after a physician has determined that the patient will not recover. However, DCD is still considered controversial in some parts of Canada because life-sustaining therapies (such as a ventilator) have to be removed in order for the potential organ donor to die, rather than the potential donor being brain-dead before life-sustaining therapies are removed. Further, in some cases, life-sustaining therapies have to be introduced to prevent the potential DCD donor from dying before organ transplantation can be arranged. Only four provinces in Canada transplant organs from DCD donors; Ontario performed its first DCD donor transplant in 2006.

In order to be an organ donor, potential DCD donors generally must die within two hours after the withdrawal of life-sustaining therapies, because the lack of life support reduces oxygen to the organs and therefore reduces the organs' viability. To further ensure that the organs can be used, arrangements to transplant each organ must be in place before life support is withdrawn. For that reason, individuals who die from an unanticipated heart attack are generally not good organ donors. Therefore, in Ontario, the only cases considered for DCD donation occur when the patient is dependent on life-sustaining therapies and the family consents to the withdrawal of these therapies at a time that coincides with the time organ transplantation can be arranged.

In 2006, the Canadian Council for Donation and Transplantation (a federal/provincial organization that co-ordinated discussions on donation and transplantation among various stakeholders, such as governments and organ procurement agencies, before its operations were transferred to Canadian Blood Services in April 2008) released national recommendations for DCD, including a recommendation that the "option of organ and tissue donation should be routinely provided to all potential donors and families." The 2007 Citizens Panel on Increasing Organ Donation recommended that every hospital in Ontario that refers donors should institute DCD policies consistent with these national recommendations. Although the Network's legislation enables it to require all 21 Tier 1 hospitals to comply with the national recommendations, the Network has not required these hospitals to adopt DCD policies; rather, it has encouraged them to do so and has forwarded examples for their consideration. However, at the time of our audit, almost 25% of the Tier 1 hospitals did not have a DCD policy in place. Further, two hospitals generally do not support DCD donation unless the donor's family specifically requests it. We also noted that the DCD policy at another of the hospitals was much more restrictive than the national recommendations. The 2009 report of the Organ and Tissue Transplantation Wait Times Expert Panel observed that a number of panel members "believe that opportunities for [DCD] are being missed due to lack of knowledge and clinical triggers for DCD in teaching and community hospitals."

Referring Potential Donors to the Network

When a hospital staff person identifies a potential donor, he or she is to call the Network. The Network has staff available 24 hours a day, seven days a week. Patients not on a ventilator may be considered for tissue donation, as discussed in more detail later in this report. If the patient is on a ventilator, the Network obtains information to determine the person's suitability for organ donation. For example, the Network determines whether the individual has an infection that would prohibit donation. As well, the Network determines whether one of the co-ordinators on-site at the 21 Tier 1 hospitals should become involved.

Missed Referrals

At the 21 Tier 1 hospitals, only 12% of patients who had been on a ventilator and subsequently died were referred in the 2008/09 fiscal year. Although there was insufficient information available to explain why this rate was so low, we were informed that it could be a result of various factors. For example, various studies have indicated that physicians' lack of familiarity with the organ donation process may contribute to low referral rates. In other situations, no call is made to the Network because there would not be time to arrange for transplantation. Another reason, which was identified by the Expert Panel, could be that the $6,000 in funding that hospitals receive to manage each donor through the donation process (from consent to organ recovery) may not cover all their costs.

The Network's hospital co-ordinators on-site at the 21 Tier 1 hospitals are generally nurses with an intensive-care background. These co-ordinators review the health records of every patient who dies in the intensive-care units and emergency departments of the 21 hospitals to identify, among other things, any potential NDD organ donors who were not referred to the Network. Potential DCD donors are not identified. Approximately 50 to 60 cases per month are reviewed. The results of these reviews are summarized monthly and annually for each hospital in a report, and forwarded to the hospitals for their information. According to the 2008/09 performance report, in cases where a formal determination of brain death had been made, virtually all were referred to the Network. However, a formal determination is not made for all brain-dead patients, and therefore these patients may not be referred to the Network. Clinical triggers may assist hospitals in referring all potential donors, even if there has not been a formal determination of brain death.

Late Referrals

Network staff indicated that they generally need eight hours to arrange for organ donation, including screening potential donors to ensure that they are medically suitable, obtaining consent, and allocating the organs. To maintain the viability of the potential donors' organs, the potential donors need to be kept on life support during this time. A patient who is referred to the Network less than one hour before the withdrawal of life support is informally defined by the Network as a late referral, because one hour usually does not allow sufficient time to arrange for an organ transplant.

The Network gathers information on late referrals for both NDD and DCD donors, but generally does not analyze this information. Our analysis for April 1, 2009, through January 31, 2010, indicated that almost 200 cases were referred only after the patient's death, which is too late to allow for the organ donation process. With respect to DCD cases, the Network conducted a separate study for the 2008/09 fiscal year and found that 48% were not referred at least one hour before the withdrawal of life support.

The Network indicated that one reason for late DCD referrals is the practice of calling the Network after the health-care practitioners have discussed a plan for the withdrawal of life support with the patient's family. We noted that another Canadian province's policy is to refer DCD cases to the organization that co-ordinates organ donations for that province (the Network's equivalent) before such a discussion occurs. Because the timing of this other province's practice equates to reporting imminent death, which is one of the requirements in the *Trillium Gift of Life Network Act*, it is our view that the Network has the authority to require a similar reporting practice in Ontario. The Network informed us that hospitals determine when to refer the patient to the Network (that is, whether to refer before or after informing the next of kin that a family member will not recover).

RECOMMENDATION 1

To increase the number of organs available to individuals waiting for a transplant, the Trillium Gift of Life Network (Network) could enhance the identification of potential organ donors through such means as:

- determining whether all 61 hospitals with advanced ventilator capacity (necessary to maintain the viability of organs for transplant), rather than just the current 21 hospitals, should be required to notify the Network of potential organ donors, in accordance with the recommendation of the Ministry of Health and Long-Term Care's Organ and Tissue Transplantation Wait Times Expert Panel;
- developing and implementing consistent, appropriate clinical criteria, in conjunction with hospitals, to assist physicians in knowing when to notify the Network of potential donors;
- using existing provincial systems, such as CritiCall, a referral service for critically ill patients, and the Emergency Neurosurgery Image Transfer System, used to remotely view the computed tomography (CT) images that can confirm brain death, to help identify potential donors; and
- working with all stakeholders—including the Ministry, hospitals, and physicians—to ensure that there are sufficient financial incentives to encourage more widespread identification and reporting of potential donors.

[illegible]

Consistent with its 2009/10 fiscal year Business Plan and the recommendation of the Organ and Tissue Transplantation Wait Times Expert Panel, the Network is working with the Transplant Action Team to implement the recommendation regarding more hospitals being required to report potential donors to the Network.

The Network's approach is to provide hospitals with a template to guide the development of their policies, procedures, and referral criteria. This approach is consistent with the best practice from the U.S. Organ Donation and Transplantation Breakthrough Collaboratives, which in 2009 indicated that clinical triggers should be mutually agreed on by both the hospital and the organ, procurement organization. Now, with five years' experience in this area, the Network believes there is an opportunity to work with hospitals to ensure a higher level of consistency. The recommendation of the Organ and Tissue Transplantation Wait Times Expert Panel is to move toward standard policies for all Ontario hospitals and, accordingly, the Network will work with members of the Transplant Action Team and its hospital partners to assess how to best move toward a more consistent practice across the province.

The Network has identified the impact that provincial systems, such as CritiCall and the Emergency Neurosurgery Image Transfer System (ENITS), can have on the referral patterns of potential donors. The Network believes that CritiCall, in particular, can be a useful vehicle for prompting referrals, and looks forward to working with the Ministry and the Transplant Action Team to determine how best to leverage these and other systems.

In 2002, the Ministry, in consultation with the Network, developed a reimbursement model to compensate hospitals for the direct costs associated with supporting an organ and tissue donor. This model does not compensate physicians for their work in donation. The Network supports a review and update of this model and, where necessary, the development of new approaches for reimbursement, including to physicians.

The Ministry agrees with the need to continue to increase the number of organs available to individuals waiting for transplants. In this regard, the Transplant Action Team has proposed a new model of care that will enhance communication with all hospitals; develop and disseminate standardized criteria to assist clinicians in determining when to notify the Network of potential donors; and provide education and support to smaller hospitals around the issue of donation. Further, the use of CritiCall and ENITS as tools to facilitate the exchange of information between clinicians will be explored by the Transplant Action Team.

The Ministry will also review the current hospital reimbursement model for organ and tissue donation with the Network and will consult with the Ontario Medical Association regarding physician compensation as part of payment discussions related to the Ministry's 2011 investment funding under the 2008 Physician Services Agreement.

Consent

Under the *Trillium Gift of Life Network Act*, people at least 16 years of age may consent to donate their organs and tissue when they die, and can have their consent documented on a consent registry maintained by the Ministry. Consent decisions involving younger donors are not registered but can be made by these donors' next of kin or legal guardians should the opportunity for donation arise.

Increasing Awareness

The Network and transplant hospitals have developed a number of initiatives aimed at encouraging people to register their consent to donate organs and tissue. For example, the Network conducts various advertising campaigns, has a Facebook page, and has a Religious Outreach Strategy to work with religious leaders to educate people about organ donation. As another example, one transplant hospital, in conjunction with the Kidney Foundation of Canada and the Network, developed a program called *"One Life...Many Gifts,"* which was being taught in some high schools to increase awareness of organ donation and transplantation, and provide people with an opportunity to register their consent. Further, the Network holds events for families of donors, and transplant hospitals also hold events, for example, for families of donors and transplant recipients, to recognize the difference that the donated organs have made in the recipients' lives.

As of December 31, 2009, only 17% of Ontarians aged 16 and older were registered donors, compared to about 30% of the population 16 and over in the United Kingdom, and 37% of the population 18 and over in the United States. (Other Canadian provinces with a registry that we contacted do not track information in a comparable manner.) Further, the Network noted that rates of consent to donate vary considerably across the province. For example, as of December 31, 2009, less than 10% of those in Toronto aged 16 and older had registered their consent to donate, compared to over 40% in Sudbury. Furthermore, according to the Network, actual organ donation rates in 2009 varied across the province, from a low of about 8 donors per million people in Kingston to a high of over 21 donors per million people in Hamilton and London, with Toronto having about 16 donors per million people. Moreover, although Ontario's overall rate of donors per million people has improved—from 11.3 in 2002 to 16.7 in 2009—Ontario's rate has remained consistently lower than Quebec's rate (as shown in Figure 3). The Network indicated that a new advertising campaign was to be launched in 2011 to increase awareness in areas of Ontario with lower rates of registered consent, such as Toronto.

Registering Consent

As of December 2009, 27% of people with a photo health card, or 1.9 million people, had had their consent recorded on the Ministry's consent registry. However, only 15,000 (or less than 1%) of the 4 million people who still have red-and-white health cards had registered consent. And as noted in our *2008 Annual Report*, based on the conversion rate at that time, red-and-white cards will not all be converted to photo health cards until 2016.

As an alternative way to register, a consultant's report commissioned by the Network in 2006 noted that a best practice is to enable individuals to register on-line with an electronic signature, similar to the approach used in British Columbia. In 2008, the Network proposed such an on-line registry to the Ministry. Further, in 2009, the Expert Panel also recommended that the Ministry support the implementation of on-line registration.

The Ministry and the Network encourage people to let their family know about their organ donation wishes. Historically, many Ontarians indicated their consent to be an organ donor by carrying a signed organ-donor card in their wallet. At the time of our audit, the driver's licence renewal notification still included a paper card that individuals could sign to consent to organ donation. Most people probably believe that signing and carrying this card is sufficient to make their organ donation wishes known. Although the Ministry conducted some advertising in December 2008 to advise the public of the registry, it did not mention that people who just sign the donor consent card sent with their driver's licence renewal are not on the Ministry's registry. (The Ministry's registry is generally the only source that the Network refers to in order to see whether a person has consented to organ donation.) A 2009 on-line survey commissioned by the Network found that 20% of respondents mistakenly believed they were registered on the Ministry's system when they were not, and we suspect that this was due to a misunderstanding about the donor consent card sent with the driver's licence renewal.

As well, even if potential donors had their wallet with them when admitted to hospital, it is rarely still with the patient at the time organ donation is being considered. Consequently, if the person is not on the Ministry's registry, staff will not know that the patient had consented to be an organ donor. In 2008, the Network proposed to the Ministry of Health and Long-Term Care that the Ministry of Transportation be asked to change what it includes in the driver's licence mailings. Instead of the paper organ-donor card, the Network wanted the mailings to contain the consent form for registering as an organ and tissue donor, along with a postage-paid return envelope addressed to ServiceOntario (who in turn enter the person's consent on the Ministry's registry). This initiative had not, at the time of our audit fieldwork, been implemented, but we were informed by both ServiceOntario and the Ministry of Transportation that as of August 23, 2010, a donor consent form was being sent with driver's licences, and donor cards were no longer being mailed out. However, unlike the health-card renewal, the driver's licence renewal process does not specifically require people to answer a question on whether they consent to being an organ donor. In 2010, the U.S. Donate Life America report, which includes a summary of information from donor registries across the United States, noted that requiring individuals to answer a question on consent as part of their driver's licence renewal process is part of effective donor registry design.

Obtaining Consent for Organ Donation

The *Trillium Gift of Life Network Act* specifies that upon the death of a person who has given consent, consent is binding and is full authority for the use of the body or specified parts for transplant purposes, except when there is reason to believe that consent was withdrawn before death. If consent was not previously given, the deceased individual's next of kin may consent on the individual's behalf. Therefore, once a potential organ donor has been identified, the Network calls the Ministry to determine whether the person has registered his or her consent to donate. In response, the Ministry verbally indicates and forwards the individual's consent status (either "yes" or blank) from the registry. (One of the hospitals we visited indicated that it would be advantageous for health-care practitioners to obtain this information directly rather than waiting for the information to come from the Network.) The potential donor's next of kin is then approached about organ donation, generally by Network staff at the 21 hospitals required to report potential donors or, in some cases, by other health-care practitioners at the hospital.

Authorization is not legally required from the next of kin of a person who has registered his or her consent to donate. But in practice, the next of kin are almost always asked to sign a donation consent form, regardless of whether the potential donor has registered his or her consent. The 2007 Citizens Panel on Increasing Organ Donation, commissioned by the Ministry of Health and Long-Term Care, recommended that the legislation be amended to require tangible proof that the potential donor had withdrawn his or her consent, to reduce situations in which the family overrides the deceased person's decision to donate. However, according to the Network, consent is much more likely to be obtained from the family when the potential donor has registered consent. In fact, the Network indicated that in the 2009/10 fiscal year, the family of a potential organ donor consented 89% of the time when consent was registered, compared to 52% when consent was not registered. Further, although there could be additional reasons, in 2009/10, the first full fiscal year that the Network had access to the Ministry's registry, the number of deceased organ donors reached record levels, increasing 20% over the previous year.

We were informed that all families were initially approached in a similar manner, regardless of whether the person had registered consent. However, in fall 2009, the Network initiated a new method of requesting consent in cases where the donor's consent was registered with the Ministry. In these cases, the family was informed of the registered consent and given the consent form with the understanding that they were merely confirming the donor's consent. We were informed that in these situations very few families decided to refuse consent.

Although some health-care practitioners are very successful at obtaining consent, the Network believes that its staff are more successful than most health-care practitioners because of their training in requesting consent. Therefore, in 2006, the Network asked the 21 hospitals that are required to report potential donors to allow only Network staff to approach a potential donor's next of kin for consent. However, the Network has never compared the consent success rate obtained when next of kin are approached by health-care practitioners versus Network staff versus both collaboratively, although some U.S. studies and one of the hospitals we visited suggested that a collaborative approach is most successful. The Network has also never tracked the relative success of individual health-care practitioners or Network staff persons. Consequently, the Network has not determined who is most effective at obtaining consent or who has lower-than-normal consent rates and may require further training.

In some cases, no one approaches the next of kin about donation, especially for potential DCD cases since health-care practitioners may have little experience in identifying these patients and referring them to the Network. The Network found that in the 2008/09 fiscal year, the next of kin were not approached for 64% of potential DCD cases.

According to a 2009 information document from the Canadian Parliamentary Information and Research Service, "[s]urveys of health care professionals have revealed a high degree of reluctance to approach the families of potential donors and a low level of knowledge about organ referral." To avoid cases where a family is not approached, one Ontario hospital informed us that it was considering implementing a "mandatory ask" policy, which would require that all families of potential organ donors be asked for consent before removing life support. A similar approach is taken in the United States, where hospitals are required, as a condition of participation in Medicare, to ensure that families of potential donors are made aware of the option to donate organs and tissues. Further, as noted by the 2000 report of Premier Harris's Advisory Board on Organ and Tissue Donation, "a decision not to provide a family with the opportunity to consider donation should be made only in very rare circumstances."

RECOMMENDATION 2

To help improve consent rates for potential organ donation, the Trillium Gift of Life Network (Network) should:

- work with the Ministry of Health and Long-Term Care, the Ministry of Transportation, and ServiceOntario to change the system of obtaining consent at the time of driver's licence renewal to enable persons to be added to the donor registry, because neither the Network nor hospitals have access to the donor card previously sent with licence renewals that many people sign and keep in their wallet;
- determine, in conjunction with the hospitals, the best approaches to increasing consent rates at the hospitals, especially in those areas of the province where consent rates are low—for example, by identifying specific individuals who have an aptitude for or training in successfully requesting consent; and
- consider implementing a "mandatory ask" policy, along the lines of a policy used in the United States, which would require that the next of kin of every potential organ donor be asked for consent before the removal of life support.

Further, the Ministry of Health and Long-Term Care should simplify the process by which people register consent to be an organ donor, such as by implementing an on-line consent registry similar to those available in British Columbia and other jurisdictions.

[illegible]

The Network, in partnership with the Ministry, ServiceOntario, and the Ministry of Transportation, has now replaced the donor card in the driver's licence mailings with the organ and tissue donor registration form and a message about the importance of donor registration. In fall 2010, a prepaid return envelope was to be added. Further, the Network would welcome the expansion of the "required request" policy beyond health-card transactions, so that all Ontarians aged 16 and older would be asked about registering their consent to donate during appropriate in-person transactions occurring at ServiceOntario centres, starting with driver- and vehicle-related transactions. This approach would help broaden public access to donor registration opportunities and thereby help increase donor registration in Ontario.

Literature indicates that the most effective way to increase consent for donation is to use people who are trained in approaching families. The Network provides extensive training to its staff in having these difficult conversations with families, and has ongoing training three times a year. In exploring how to best work with more hospitals across the province, the Network is considering, and will be working with the Transplant Action Team to determine, the cost-benefit of keeping hospital staff and physicians trained to approach families for consent. The Network will work to test and evaluate the effectiveness of these approaches.

With respect to considering a "mandatory ask" policy, the Network's position is that families of all potential donors referred to the Network should be presented with the opportunity for organ and tissue donation if the donor is deemed medically suitable. We support that "required request" be part of good end-of-life care for potential donors.

The ability to register consent on-line for organ and tissue donation is best practice for donor registries. The Network strongly supports the establishment of an on-line donor registry that is simple, easy, and convenient for the public to use.

[illegible]

With respect to increasing consent rates, both of the hospitals we visited commented that they supported the involvement of trained hospital health-care practitioners in approaching patients' next of kin for consent for organ donation. In particular, one of the hospitals indicated that it had obtained a high organ-donor consent rate by having trained hospital health-care practitioners approach a patient's next of kin for consent, while the other hospital indicated that it anticipated a positive impact on consent rates by enhancing the training of its health-care practitioners.

[illegible]

The Ministry concurs with the need to improve the consent rates of potential donors. Key to doing this is the implementation of systems and processes to educate and inform potential donors, their families, and clinicians about donation. Also essential is the implementation of quick and easy-to-use processes to identify potential donors and register consent. In this regard, the Transplant Action Team has proposed a model of care that would provide support and education to hospitals around a standardized approach to requesting consent, and would promote the identification of donor "champions" and the establishment of donation committees which could address issues such as low consent rates. The introduction of a "mandatory ask" policy will be considered as one potential component of a standardized approach.

With respect to simplifying the process by which people register consent to be an organ donor, the Ministry is currently working with the Network, ServiceOntario, and the Ministry of Transportation to make improvements. These include replacing the driver's licence donor card with the organ and tissue donation consent form, and implementing a safe, secure, and easy-to-use on-line donor registration and authentication process, which has been approved and is anticipated to be in place by summer 2011.

Organ Wait-lists

Organs from a living donor, often a relative of the patient, accounted for 41% of kidney transplants and 20% of liver transplants in the 2009/10 fiscal year. Other patients must wait for an organ donated from a deceased person. All decisions regarding adding a patient to, removing a patient from, or changing a patient's status on the Network's organ wait-lists are made at the transplant hospitals, which enter this information in the Network's information system. The decision on whether or not to include a patient on an organ wait-list usually involves assessments by a multidisciplinary team of experts, with the final decision made by a medical specialist. For example, nephrologists (that is, kidney specialists) generally decide which patients should be added to the kidney wait-list. Although criteria for placing patients on organ wait-lists have been developed in Canada for most organs, no Canadian or Ontario standard criteria exist for adding most patients to the liver transplant wait-list. Where there are criteria, there is no oversight to ensure that physicians apply the criteria consistently or do not overstate how sick a patient is, to assist that patient in receiving an organ more quickly.

The Canadian Society of Transplantation (a professional organization for physicians, surgeons, scientists, and other health professionals working in the field of transplantation) has consensus guidelines on eligibility for kidney transplantation, which the transplant hospitals we visited indicated that they generally follow. Although not all eligible patients may want a kidney transplant, these guidelines note that all patients with end-stage kidney disease should be considered for kidney transplantation provided no absolute contraindications (for example, leukemia) exist. A transplant provides patients on dialysis with an improved quality of life and can increase life expectancy. As well, the cost of a transplant is significantly less than the cost of ongoing dialysis.

However, the 2009 report of the Organ and Tissue Transplantation Wait Times Expert Panel (Expert Panel) noted that only 13% of people on dialysis in Ontario were on a kidney transplant wait-list. The report further noted that there was "some evidence to suggest that not everyone who could benefit from an organ transplant is put on an organ transplant list." Further, the number of people on the kidney wait-list as a percentage of the total number on dialysis (almost all of whom have end-stage kidney disease) varied depending on the LHIN. For example, as of March 1, 2009, the percentage of people on dialysis who were also on a kidney transplant wait-list varied from about 3% in the South East LHIN to 16% in the Champlain LHIN. Both hospitals we visited indicated that eligible patients were not always being referred for transplantation.

When people are added to a transplant wait-list, their position on the list usually depends on how sick they are, based on a detailed set of criteria used by the Network. However, the Network's wait-list system has very few edit checks, which help prevent obviously incorrect data from being entered, and therefore errors sometimes occur. For example, according to the wait-list, one patient had been waiting for an organ since the year 0009. Such errors can result in patients being misprioritized on the wait-list.

For the sickest individuals, transplant hospitals across Canada have agreed to maintain a national wait-list, giving these patients priority for available organs. These patients often will die within a few days if they do not receive an organ transplant. We were informed that kidney patients are excluded from that list because dialysis is considered a life-sustaining alternative.

The national wait-list is maintained at one Ontario transplant hospital. It is a paper-based listing: transplant centres across Canada fax in the names of priority patients, and the hospital faxes back a weekly listing of all such patients across Canada. We were informed that Canadian Blood Services plans to introduce interprovincial wait-lists in 2011 for high-priority liver, heart, lung, pancreas, small-bowel, and kidney patients, which will replace the current national wait-list. Canadian Blood Services is also developing a national organ donation and transplantation strategy for review by the provinces, which is to include recommendations for one wait-list for each type of organ for most patients across Canada, and an information system to support national and provincial organ allocation.

Patients are removed from the wait-list when they receive an organ transplant. Hospitals may also remove patients from the wait-list for other reasons. Although the Network has some information on these reasons, it does not review them, because it believes that doing so is outside its mandate. Our review indicated that about 260 patients who did not receive transplants were removed from the wait-lists in the 2008/09 fiscal year. For 22% of these patients, "other" was the reason indicated for their removal. Of those with a specific reason, 52%, mostly liver patients, were removed because they died. An additional 15%, mostly kidney patients, were removed because they became too sick for a transplant, though there was no record of how many subsequently died. For the patients who died, we noted that it took an average of 32 days after their death to remove them from the wait-list, with two patients not being removed until over 500 days after death. Delays in organ allocation, which can affect organ function, could result if time must be spent trying to contact the surgeons of patients who are still on the wait-list despite having died some time previously.

For patients who received a transplant in 2009/10, Network data indicated large variances in the wait times for certain organs based on the transplant hospital that patients went to. Although some of these variances were probably a result of the regional allocation of certain organs (discussed later in this report), variations also existed for other organs. For example, 90% of heart transplant patients at one transplant hospital received their transplants within two months (50% within less than one month), compared to 22 months (50% within three months) at another transplant hospital. The Network has not analyzed these disparities, although one transplant hospital indicated that they may be due to the organ acceptance policies of the transplant hospitals (discussed later in this report, under "Allocation Review"). The Expert Panel noted similar regional variations and recommended that the Ministry's Wait Time Information Program, part of the Wait Time Strategy, work with expert transplant clinicians to develop a provincial priority rating scale with target time frames for organ transplants. At the time of our audit, the Ministry indicated that the Transplant Action Team was reviewing the recommendations of the Expert Panel, including this recommendation.

RECOMMENDATION 3

To enhance its management of the wait-lists for organ transplants, the Trillium Gift of Life Network (Network), in conjunction with transplant hospitals and physicians, should:

- develop target time frames for provincial priority rating scales for organ transplants, as recommended by the Ministry of Health and Long-Term Care's Organ and Tissue Transplantation Wait Times Expert Panel;
- determine the best way to communicate referral criteria to non-transplant physicians, so that individuals who would benefit from a transplant (including from a quality-of-life perspective) are added to the wait-list; and
- require hospitals to enter on the Network's system the reason for taking a patient off the wait-list, and periodically review, by hospital, the number of patients removed from the wait-list because they die or become too ill for a transplant, to determine whether actions can be taken to minimize the incidence of such cases.

[illegible]

The Network supports the development and use of a priority rating scale that is consistent with its organ allocation algorithms to establish target time frames for organ transplants. In developing these time frames, it needs to be recognized that even with improved donation rates, one cannot schedule transplants due to the random pattern of donation.

The Network agrees with the importance of ensuring that physicians who provide care to patients with an organ-related disease do understand the referral criteria for patients requiring transplant assessment. The Network supports this initiative, within the limits of its mandate.

It is mandatory for hospitals to select a reason (including "other" as a valid reason) for removal of patients from the organ transplant waiting list in the Network's clinical information database. The Network will work with transplant hospitals to review data quality issues related to recording the decision to remove patients from the transplant waiting list.

[illegible]

The Ministry agrees with the need to enhance the management of organ transplant wait-lists. In this regard, the Transplant Action Team's proposed model of care will establish provincial rating scales with target wait times for each organ, develop standardized criteria for listing patients on the wait-lists, develop pre- and post-transplant best practices, and move to a single

wait-list for each organ. The proposed model of care will link into and enhance the work that the Network and the Ministry have done in this area as noted in the Ministry's overall remarks. This will also guide the Network's and the Ministry's work in the future.

Allocation of Organs

The *Trillium Gift of Life Network Act* gives the Network responsibility for establishing and managing a system to fairly allocate organs from deceased donors. Consequently, the Network has the responsibility to determine who receives the next available organ.

In practice, when allocating organs, the Network gives the first priority to any seriously ill patient on the national wait-list. After that, Network staff follow organ allocation algorithms developed by committees consisting of physicians from transplant hospitals as well as, in some cases, Network staff. Using these algorithms generally involves the Network referring to its own wait-lists to determine which patient should receive a heart, lung, pancreas, or small bowel. In arriving at this decision, the Network considers the patient's position on the wait-list, as well as the results of tests to ensure compatibility. For example, diagnostic imaging is used to confirm that the organ is the right size, and a blood test to confirm compatible blood types. Kidneys and livers are generally allocated to the transplant hospital that is in the same region as the donor's hospital. There are five kidney regions (based out of Hamilton, Kingston, London, Ottawa, and Toronto). Since there is more than one transplant hospital in the Toronto region that performs kidney transplants, a kidney will go to the highest-priority person on that regional wait-list. However, two Toronto transplant hospitals get one kidney each if two kidneys are available from a DCD donor or certain potentially higher-risk donors. There are two liver regions, based out of London and Toronto, which are the same as their kidney regions. All liver transplants are performed in these two regions. Livers donated from outside these regions are allocated to the liver region with the highest-priority patient.

Once a potential recipient—or, in the case of kidneys or a liver, the associated transplant hospital—is identified, the Network calls the transplant surgeon or other applicable person at the transplant hospital to offer the organ. The hospital may accept the organ, or may reject it for various reasons. For example, the organ may be rejected if the donor was over age 60 and the potential recipient is still healthy enough to wait for another organ. Each transplant hospital has its own criteria for whether or not to accept an organ.

Rejected organs are generally offered to the transplant hospital associated with the compatible patient who is next highest on the wait-list. If an organ cannot be used in Ontario, in many cases it is offered to other provinces or to the U.S. United Network for Organ Sharing.

Regional Allocation of Organs

We noted that most jurisdictions, including Quebec, British Columbia, and Manitoba, have only one wait-list for each organ. However, in Ontario, kidneys and livers are distributed on a regional basis. These regions primarily arose out of historical patterns in referrals made by physicians—for example, physicians referred their kidney patients to certain hospitals for dialysis. Under the regional allocation method, with very few exceptions, kidneys and livers are offered to a transplant hospital that is in the same region as the donor's hospital. This transplant hospital considers the organ's viability. If the hospital accepts the organ, the hospital generally chooses which of its patients will receive the organ, based on organ compatibility and the hospital's prioritizing of patients. The Network does not receive any information from two of the eight transplant hospitals on how they select which of their patients will receive a particular kidney. Further, because one of these hospitals does not provide certain information (needed to help determine organ–patient compatibility) to the Network for about 50% of its patients, these patients cannot be allocated a kidney from a donor outside of this hospital's region.

We noted that the transplant hospitals may prioritize liver and kidney patients somewhat differently than the Network does. For example, the transplant hospitals we visited prioritized liver patients based on specific conditions related to liver disease, whereas the Network's liver allocation algorithm gave priority to liver patients who were in hospital rather than at home. Discussions with health-care practitioners at transplant hospitals indicated that they tried to prioritize their patients based on how sick they were.

We were informed by the transplant hospitals we visited that the main reason kidneys and livers are allocated on a regional basis is concern that in regions with a higher number of donors per capita, the number of donors would decrease if many organs were sent outside those regions. As well, transplant hospitals advised us that each transplant hospital needed to do a sufficient number of organ transplants to maintain its proficiency in conducting transplants and therefore maintain the sustainability of the transplant program. The Network indicated that it had made a strategic decision to focus on increasing organ donation province-wide, although it recognized the need to eventually move to single wait-lists for each organ.

Because of the regional allocation of kidney and livers, the patients in the province who have the greatest need for these organs—for example, those who are very ill, have a high risk of rejection, and/or have waited the longest time—do not necessarily receive the first available organ. Further, the regional allocation of these organs results in regional variations in how long recipients wait for their organ transplant. For example, Network data indicate that in 2009/10, 90% of kidney recipients received the kidney within four years in one region (50% within two years), compared to about eight years in another region (50% within three and a half years), and almost nine years in two other regions (50% within four years and five and a half years, respectively). The variations were not as large for liver transplants: in the same year, 90% of liver recipients received a liver within about two and a half years in one region (50% within four months), compared to three and a half years in another region (50% within five months).

The Network informed us that individual kidney patients generally are not considered to have a high-priority status because dialysis is considered life-sustaining for most patients. However, for kidneys, a person's position on the wait-list is based on when that person began dialysis, regardless of when he or she was added to the wait-list. Using the start time of dialysis to indicate a person's position on the wait-list is consistent with Canadian Blood Services' recommendation, and they note that a longer time on dialysis generally corresponds with poorer long-term outcomes for patients. Further, while there is little Canadian research on this topic, the Canadian Society of Transplantation also indicates that increased time on dialysis is an important determinant of the patient's long-term outcome. As well, studies from other jurisdictions have found that longer periods of dialysis are associated with poorer transplant outcomes. Further, a 2005 study from the United Kingdom found that the remaining life expectancy of dialysis patients on a kidney transplant wait-list was tripled by a successful transplant. Unlike kidney patients, the highest-priority liver patients are placed on the national wait-list.

The 2009 report of the Organ and Tissue Transplantation Wait Times Expert Panel recommended that the Network and transplant hospitals review organ allocation and distribution and identify improvements to ensure equitable access to transplant based on clinical evidence.

Allocation Review

The 2000 report of Premier Harris's Advisory Board on Organ and Tissue Donation noted that it was important that organ allocation algorithms be reviewed regularly and updated when necessary, because "failure to do so, and any perception that organs are not fairly allocated, could have a negative effect on the willingness of the people of Ontario to donate their organs." We noted that the lung algorithm was updated in 2006; the algorithms for liver, pancreas, and small bowel were updated in 2008; and the kidney and heart algorithms were updated in 2009.

In some cases, it is reasonable that the next person on the wait-list will not necessarily receive the first available organ: for example, the organ may be too small for the patient. Although the Network indicated that staff should document an explanation, such as that provided by the physician, if an organ is not allocated to the highest-priority person listed in the organ allocation system, Network staff can override the allocation system without providing such an explanation. In fact, in 40% of the donor files we reviewed, there was no documentation explaining why the person at the top of the wait-list did not receive the organ. Further, Network staff were unable to recall or provide verbal explanations for over 70% of these cases.

The Network does not have a policy on reviewing organ allocations, but indicated that since February 2009 a second staff person is to agree to all organ allocations at the time they are initially made. However, although the Network indicated that it conducts reviews to ensure that this process takes place, we found that one-third of the cases we sampled had no evidence that a second person had reviewed the organ allocation.

Senior Network staff indicated that they follow up on organ misallocations that are brought to their attention (for example, by one of the transplant hospitals). However, transplant hospitals generally cannot determine whether a misallocation has occurred, because they do not have sufficient information to do so: they do not know their patient's position on the wait-list; they generally never know which patient received the organ or why their patient did not receive it; and only the hospital to which the Network offers the organ is provided with test results to determine compatibility of the donor organ and the potential recipient.

We noted that the U.S. United Network for Organ Sharing reviews the allocation of every organ transplanted from a deceased donor to make sure that policies are being followed and patients are treated equitably. Senior Network staff indicated that no similar review is completed in Ontario by persons independent of the organ allocation process to ensure that organs are allocated in accordance with the Network's organ allocation algorithms.

The Network maintains a roster of seven Chief Medical Officers (CMOs), who are on-call physicians with expertise relating to organ transplantation, including kidney and heart transplants, but not liver transplants. At least one CMO is available around the clock to respond to any questions from Network staff concerning the viability of organs from potential donors. However, the Network does not capture information on how often organs are approved by a CMO only to be subsequently refused by all the transplant hospitals or on whether a physician with expertise in liver transplants is needed on the CMO roster. Although the Network has not performed any analysis of unused organs, it does track some information on them. At our request, the Network ran a report on available organs that were not accepted for transplant, which indicated that over 1,200 organs that the Network offered to transplant hospitals were not used in 2008/09. For almost 10% of the unused organs, no specific reason was provided for not using them. "No suitable recipient" was given as a reason for not transplanting 12% of the unused organs. We also noted that about 70% were not used because none of the transplant hospitals considered them appropriate for their patients—for example, because of a donor infection or poor organ function.

In the United States, as noted in a September 2005 best-practice evaluation issued by the Health Resource and Service Administration's Organ Transplantation Breakthrough Collaborative, organ procurement organizations (OPOs) "provide regular, meaningful feedback to the transplant centers in their regions about the centers' organ acceptance rates and the OPOs' export rates. This feedback allows transplant centers to identify areas in which they may be too conservative in their acceptance of organs, and some of the centers interviewed have acted on this information."

RECOMMENDATION 4

To better ensure that organs are allocated in an efficient and equitable manner, the Trillium Gift of Life Network (Network) should:

- in conjunction with the transplant hospitals, review kidney and liver allocations, with a view to having one province-wide wait-list (rather than up to five regional wait-lists) for each organ, so that the highest-priority patient in the province, based on clinical evidence, receives the first suitable organ available, and transplant program sustainability is maintained;
- have periodic independent reviews conducted of organ allocations, to ensure that either the highest-priority compatible patient received the organ or there was a valid reason for allocating the organ to another patient; and
- provide information to the eight transplant hospitals on organs made available but not accepted by them, so that the Network and the hospitals can monitor the acceptance rates and determine whether any changes are needed to the process for offering and accepting organs.

[illegible]

The Network agrees with the need to have organ-specific province-wide wait-lists for kidney and liver transplantation. Presently, through its provincial kidney and liver working groups, the Network is undertaking discussions to understand the implications of transitioning to a single organ-specific provincial waiting list, including barriers and opportunities. In particular, a transition plan for moving to a single wait-list must recognize the volume and viability issues relating to specific transplant programs.

The Network agrees with the need to audit organ allocations to ensure compliance with the established allocation rules, which support a fair and equitable allocation. Further, the Network believes that this process should be transparent, thus demonstrating accountability and ensuring confidence in the donation and transplant system in Ontario. The Network is working with the Transplant Action Team to discuss how this review of organ allocations can best be done.

The Network has begun to develop and provide organ offer and acceptance reports to transplant programs. In this regard, the Network is reviewing improvements to its clinical information database, to better collect data on organ disposition, which includes organ offer/decline/acceptance. This enhancement will require an upgrade/enhancement to the Network's clinical information database or purchase of new donor management software.

[illegible]

One of the transplant hospitals agreed with the recommendation on ensuring the highest-priority kidney and liver patient in the province receives the first suitable organ available. The other hospital commented that there should be a review of kidney and liver allocations, conducted in conjunction with the transplant hospitals, to ensure that for each organ, the highest-priority patient province-wide receives the next suitable available organ, followed by the longest-waiting patient. The hospital indicated that this review must consider the merits of a single provincial list rather than maintaining several regional wait-lists as an option to achieve this goal, as well as the impact of donor organ transportation and donor quality on patient outcomes. Alternatively, patients could choose to receive their transplants in centres with the shortest wait times. This alternative would minimize or eliminate the differences in wait times, recognize the excellence of donation in high-performing centres, and maintain the expertise and stability of the individual transplant centres.

[illegible]

The Ministry agrees with the need to enhance the management of organ transplant wait-lists. In this regard, the Transplant Action Team's proposed model of care will, through the establishment of standardized criteria, move to a single wait-list for each organ. Furthermore, performance indicators and mechanisms to monitor system performance will be developed through the committee structure and processes, in the model of care proposed by the Transplant Action Team, in order to identify opportunities for improvement within the system. The proposed model of care will link into and enhance the work that the Network and the Ministry have done in this area as noted in the overall remarks, and will guide their work in the future.

Efficiency of the Organ Donation Process

To ensure that organs are transplanted in the best possible condition, the organ donation process must be completed without undue delays that may harm organ function.

Each of the key stages in the organ donation process takes time, including the time between hospital referral and consent; consent and the offer of an organ to a transplant hospital; and the transplant hospital receiving the offer and deciding whether the organ is a good match for its patient. Time is also needed for the transplant hospital's retrieval of the organ and for transplantation of the organ into the recipient. We were informed that the entire process generally takes about two days. However, delays can occur at any point—for example, because laboratory results are late or the donor family requests a postponement in the removal of life support.

The Network does not routinely track the time intervals in the organ donation process. However, it has undertaken two projects that gathered some information on this process. One of the projects, in 2008, extracted the times from 30 files, with results indicating that the median time from declaration of brain death to consent was about five hours, and from consent to the start of organ removal was about 22 hours. Almost seven hours of this time was used to gather information about the donor, and it took another four hours for a transplant hospital to decide whether the offered organ was a good match for its patient. The Network's second project was under way at the time of our audit, and no information was yet available. The Network indicated that it plans to use its new phone system, implemented in August 2009, to assist it in tracking this information in the future.

We also noted that there are some significant variances in the number of donor cases managed by Network staff on-site at the 21 Tier 1 hospitals. Our analysis indicated that the number of cases managed in the 2008/09 fiscal year ranged from a low of three by a Network staff person on-site at one hospital to over 40 by a Network staff person on-site at another hospital.

Communicating Donor Information

Delays in getting the critical medical and other data to the various decision-makers can also impede the organ donation and transplantation process. We noted that much of the information about potential donors is faxed to the Network, which, because decisions need to be made quickly, then verbally communicates it to the transplant hospital (although hospitals may ask for specific items to be faxed to them). Therefore, donor information—such as the donor's medical history, medications, and past social behaviour (which may indicate a higher-risk organ), as well as laboratory results—cannot be electronically reviewed by the transplant surgeons to assist them in determining whether an organ is a good match for their patient. Further, there is generally little direct communication between the donor hospital and the transplant hospital, resulting in a risk that decisions may be made using incomplete or incorrect information.

In the United States, the system used by the United Network for Organ Sharing can electronically notify all transplant programs with a compatible recipient about an organ. Programs can then electronically view the donor information, such as laboratory results, and are given up to two hours to indicate whether they are interested in the organ for their patient. Based on this interest, the organ is offered to the program that has the highest-priority patient. This approach gives physicians all the critical information they need in order to quickly assess whether there is a high degree of compatibility between the donor and the recipient—thereby expediting the process of allocating the organ, which enhances the likelihood of achieving a successful transplant.

Recovering Organs

If the organ recipient is not located at the same hospital as the organ donor, generally a member of the recipient's transplant team and a Network staff person travel to the donor hospital to recover the organ(s). If the organs are going to recipients at more than one hospital, this process may involve recovery teams from each of the recipient hospitals. In many cases, the Network arranges the transportation for the organ recovery teams, and may also arrange for operating-room time at the donor's hospital for the organ recovery.

Ideally, the organ recovery teams should be able to start the organ recovery soon after arriving at the donor's hospital. We were informed, however, that in some cases the organ recovery teams have to wait, which could happen for a variety of reasons, such as an operating room not being available.

Once the organs are recovered, it is important to transport them without delay in order to minimize the time the organ spends outside the body (called "cold ischemic time"). The longer the organ is without oxygen, the poorer the organ's viability and therefore the poorer the transplant outcome. Transporting organs between locations that are geographically close to each other may be easily accomplished, but when the donor hospital is a significant distance from the transplant hospital, travel arrangements may be more complex. In some situations, organ recoveries rely on the air ambulance service operated by the Ministry's appointed provider, Ornge, to ensure that organs arrive at the hospital in time for transplant. We noted that the Ministry's performance agreement with Ornge does not include specific requirements related to transporting organs for transplantation. Further, our file review indicated and the Network noted that organs have been delayed many times—for example, because air transport was not available at pre-arranged times. The Network indicated at the time of our audit fieldwork that it had met with Ornge twice to review the situation but that the delays had continued.

Although information on cold ischemic time is supposed to be noted (generally by hospital staff) in a form that accompanies each organ, we noted that it was not present in 20% of the cases we reviewed. Further, the Network's information system does not track the time taken to transport organs. Therefore, the Network is not able to readily assess the frequency or potential impact of unacceptably long delays in transporting organs to transplant hospitals.

Certain types of equipment and supplies assist in decreasing the impact of cold ischemic time. For example, all organs are required to be packed in ice and transported in a solution, called a perfusion fluid, in order to preserve them. Further, kidneys may be attached to a pump that flushes the perfusion fluid through them to provide nutrients and oxygen, and to remove certain toxins.

A 2009 study in the *New England Journal of Medicine* indicated that there can be a significant benefit to using a kidney pump. The Network has informally suggested to transplant hospitals that kidney pumps be used in certain circumstances, such as for kidneys from DCD donors. But the Network has not assessed how frequently kidney pumps are actually used, either in the suggested circumstances or overall. Based on data maintained by the Network, we noted that between April 1, 2009, and February 28, 2010, more than half the kidney cases did not indicate whether a pump was used.

RECOMMENDATION 5

To improve the efficiency of the organ donation process and avoid delays that may harm the viability of donated organs, the Trillium Gift of Life Network (Network) should:

- determine the feasibility of providing transplant hospitals with simultaneous electronic access to information required to facilitate the physician's assessment of the compatibility of the donor and a potential recipient, such as the donor's laboratory test results;
- review the costs and benefits of implementing a system capable of tracking the information required to oversee the organ donation process, including the time taken for each stage of the donation process from identification of the potential donor to the time of transplant (compared against target times), and the reasons for any delays; and
- review research on current best practices with respect to the use of kidney pumps when transporting donated kidneys to transplant hospitals and track the use of such pumps.

Further, the Ministry of Health and Long-Term Care should review its agreement with the air ambulance provider, Ornge, and, in conjunction with the Network, clarify Ornge's transportation responsibilities with respect to organ transplantation.

[illegible]

The Network will review and analyze the feasibility of providing timely electronic access to information required to facilitate the physician's assessment of the compatibility of the donor and potential recipient. The review will assess the information required and explore options to deliver the information and safeguard privacy requirements. As well, the Network agrees with the need to improve case tracking, including establishing a time-tracking function in its clinical information database. The Network is in the process of determining the best solution to address this and other identified requirements. The Network indicated that both of these items will require an upgrade/enhancement to the Network's clinical information database or purchase of new donor management software.

The Network has been a leader in supporting the use of kidney pumps for use with kidney recovery in Ontario, having purchased pumps in 2006 and again in 2008 when we made them available to all kidney transplant programs. It is recognized that we now need to consider how to further support the province by ensuring that consistent policies and practices, and adequate resources are in place to support the use of pumps across the province. Further changes to the Network's clinical information database are needed to improve data entry and quality, and they are being considered.

[illegible]

The Ministry supports the Auditor's position that the organ donation process should be as efficient as possible and that delays that have the potential to harm viable organs be avoided. In this regard, the Ministry and the Network will work together in their annual business planning process to ascertain the information and information technology needed to support the improved exchange of information and data on

donor availability, assessment, and compatibility between facilities and clinicians.

As well, the Ministry is committed to supporting discussions between the Network and Ornge to ensure rapid transport in support of organ donation, and it will amend agreements as appropriate.

TISSUE

The *Trillium Gift of Life Network Act* requires the Network "to manage the procurement, distribution and delivery of tissue." Tissue includes skin, bones, eyes, and heart valves. The process for tissue donation has several similarities to that for organ donation: the same 21 hospitals (referred to as Tier 1 hospitals) are required to report potential donors to the Network; consent is obtained from the next of kin of suitable donors; and tissue is recovered. But unlike consent for organ donation, consent for tissue donation is often obtained by phone, and donated tissue is generally not transplanted immediately: instead, it is processed and stored at a tissue bank until needed. There are six tissue banks in Ontario: three for bone and one each for skin, eyes, and heart valves. In 2009 the Network co-ordinated for transplant purposes the recovery of eyes from 876 donors, bone from 70 donors, and heart valves from 31 donors. No skin was recovered in 2009.

Identifying Potential Tissue Donors

More patients can be tissue donors than can be organ donors, primarily because tissue is not affected as quickly by a lack of oxygen and therefore potential donors do not need to be on a ventilator. However, the Network does not have specific clinical triggers to help hospitals determine which patients should be referred to the Network as potential tissue donors. Instead, the Network requests the 21 Tier 1 hospitals to report every death in their intensive-care units and emergency departments. Nevertheless, the Network generally does not consider tissue from people over 80 years of age to be viable. Because this age restriction has not been communicated to hospitals, we noted that the Network was receiving almost 2,300 calls a year from hospitals about patients who were not eligible for tissue donation because of their advanced age.

The Network requires Tier 1 hospitals to notify it within one hour after a potential tissue donor dies. However, based on our analysis of Network data, we noted that between April 1, 2009, and January 31, 2010, 44% of the referrals from hospitals were not made within this time. Further, if a hospital reported an expected imminent death, but did not call back within one hour after the patient died, we noted that the tissue was often not recovered because the Network did not pursue these cases. This occurred over 670 times between April 1, 2009, and January 31, 2010.

Once a potential donor is reported, Network staff use a screening form developed in conjunction with the tissue banks to identify patients who are obviously unsuitable for tissue donation. (In the case of organ viability, the Network has physicians on call to provide expertise when needed; however, no similar arrangement is in place for determining tissue viability.) Proper screening is important to ensure that tissue is viable (for example, that it carries no infection that could be transferred to a recipient) and that costs are not incurred to send health-care practitioners or others to recover non-viable tissue. Nevertheless, one bone bank indicated that the Network still referred non-viable cases (for example, people who had an infectious disease such as hepatitis C) to it.

Obtaining Consent for Tissue Donation

In September 2008, the Network started asking hospitals that refer tissue donors to permit Network staff, rather than the hospital's health-care practitioners, to approach the patient's next of kin for consent. However, subsequent Network data indicated that many hospitals' health-care practitioners continued to request consent themselves. In fact, based on data from 18 referring hospitals, health-care practitioners approached next of kin for tissue consent almost 67% of the time, from September 2009 to January 2010. Further, Network data indicated that during this time, the Network staff had almost a 50% success rate when requesting consent, whereas health-care practitioners had only a 20% success rate.

The Network provides some training and generic wording to assist its staff in approaching families for tissue consent. However, the Network generally does not track how often each individual who requests tissue consent receives it. Based on June 2009 data, the Network found that individual success rates ranged from 18% to 60%. No further follow-up was completed to determine why there was such a large variance among its own staff when requesting consent.

We also noted that at the time of our audit, Network staff did not check, before requesting consent, to see whether a potential tissue donor had registered his or her consent on the Ministry's registry. Given that presenting this information to the next of kin resulted in much higher consent rates for organ donation, we believe that the same might well be true for tissue. After we completed our fieldwork, the Network advised us that it had begun checking the registry for consent.

Recovering Tissue

Tissue is generally recovered by staff from one of the six tissue banks, except for eyes, which are recovered by Network staff within the Greater Toronto Area, and by health-care practitioners elsewhere in the province. The Network indicated that starting in July 2010, it planned to have staff trained to recover skin in addition to eyes in the Greater Toronto Area.

We noted that generally only one type of tissue was recovered per donor, although more could be recovered. Further, in some cases tissue is not recovered even though consent was received and the tissue was viable. Although the Network could not provide us with a list of all such cases, we noted that from April 1, 2009, to January 31, 2010, there were at least 200 cases of unrecovered tissue. Network information indicated that the tissue was not recovered for a variety of reasons, including a lack of staff available to recover the tissue; no operating room available to recover the tissue; and the deceased person's body being released to the funeral home too soon. Further, unlike the hospitals' costs for organ recovery, their costs for tissue recovery are not supported by specific ministry funding, so hospitals have a fiscal disincentive to promote tissue donation. The 2009 report of the Organ and Tissue Transplantation Wait Times Expert Panel (Expert Panel) recommended reviewing the payment schedule for tissue donation to ensure that hospitals are adequately compensated for these costs.

The Network indicated that doctors are not required in order to recover tissue and that the current approach to tissue recovery could be improved if everyone who performs tissue recovery were trained to retrieve multiple types of tissue (not just one type, as is generally the case now) and if people with such training were available throughout the province. However, one bone bank indicated that only medical fellows, at least one of whom has orthopaedic training, should recover bone, because this approach allows for a thorough screening for potential diseases or other conditions that might compromise bone recipients. At the time of our audit, neither the Network nor the Ministry had fully analyzed the costs and benefits of different approaches to tissue recovery.

Tissue Availability

According to the Network's 2006 Strategic Plan to Improve Tissue Donation Activities in Ontario (also known as the Tissue Plan), Ontario has the potential to meet the tissue demand in the province. However, Ontario does not actually recover sufficient tissue for its own needs. In fact, the Network's 2006 Tissue Plan (the most recent information available) indicated that less than 8% of Ontario's demand for tissue was met by Ontario's tissue donors. Further, at the time of our audit, no skin had been recovered in Ontario since August 2008—because, we were informed, the skin bank lacked the staff to recover it. As well, the Expert Panel's 2009 report noted that, owing to shortages of eyes, a person could expect to wait about 1.5 years for a cornea transplant in Ontario.

Therefore, Ontario hospitals increasingly purchase tissue from other jurisdictions, often from Quebec or the United States. (Eyes may be shared among Canadian jurisdictions at no cost, but Canadian jurisdictions generally do not have a surplus.) Although there is no recent information on how much tissue is purchased, in 2003 it was estimated that hospitals paid $19 million to acquire tissue from other jurisdictions. Further, the Ministry indicated that there were some concerns with tissue from the United States because of a 2002 Health Canada alert on incidents of infected U.S. tissue and because of U.S. recalls of tissue in 2005 and 2007.

To increase the supply of Ontario tissue, the Network's 2006 Tissue Plan indicated that all hospitals with mechanical ventilators should be required to refer tissue donors. Based on this, there are at least 58 additional hospitals that could be required to report potential tissue donors to the Network. We were informed that one reason the Network has not asked these hospitals to report is limited staff resources, with current resources being focused on organ donation cases rather than tissue.

The 2006 Tissue Plan also recommended that a comprehensive tissue-processing centre should be established and that distribution of tissue should be managed centrally. In addition, the Expert Panel's 2009 report recommended that the Ministry support the development of a co-ordinated, not-for-profit system to process and access tissue to meet the needs of Ontarians. The Expert Panel noted that an integrated approach to managing tissue in Ontario would help ensure that Ontarians have equitable access to safe, high-quality tissue rather than depending on tissue imported from other jurisdictions.

The Ministry informed us that Canadian Blood Services, in conjunction with the provinces, is drafting a plan for a national tissue strategy. Among other things, the strategy is expected to help ensure equitable access to a safe supply of quality tissue, through the use of standardized centralized processes for tissue recovery, processing, and distribution, as well as its importation when necessary. The Ministry indicated that it will review the proposed national plan, expected in fall 2010, as part of determining any changes that might need to be made to the way tissue is managed in Ontario.

A 2010 study commissioned by Canadian Blood Services noted that the Canadian demand for bone can be expected to undergo strong growth in coming years because an increasing number of procedures using bone (such as hip replacements) are being performed, mostly as a result of the aging population. At the time of our audit, with the exception of eyes, neither the Network nor the Ministry had current information on the demand for tissue in Ontario, the costs paid by hospitals for tissue, the quantity of tissue currently processed and stored in Ontario, or the current capacity for processing and storing tissue in Ontario.

RECOMMENDATION 6

To help ensure that there is an adequate supply of quality tissue, such as bones and eyes, to meet the needs of Ontarians and reduce reliance on tissue purchased from other jurisdictions, the Trillium Gift of Life Network (Network) should:

- increase the number of hospitals required to report potential tissue donors to the Network and, in conjunction with the hospitals, develop more specific clinical triggers (such as age criteria) to help hospitals determine which patients should be referred to the Network as potential tissue donors;

- review the process of obtaining consent for tissue donation, in conjunction with the hospitals, with a view to increasing consent rates; and
- reassess, in conjunction with the tissue banks, the screening processes used to determine tissue viability so that non-viable tissue is identified as quickly as possible.

Further, the Ministry of Health and Long-Term Care, in conjunction with the Network and the tissue banks, should:

- assess the costs and benefits of implementing a centralized tissue bank, which would help ensure that, after consent is received, tissue is recovered, processed, and stored safely and efficiently; and
- consider whether specific funding should be provided to offset the costs incurred by hospitals and to compensate physicians for their time with respect to tissue donation and banking.

[illegible]

The Network identified in its 2009/10 fiscal year Business Plan the need to work with more hospitals to increase the referrals of potential tissue donors to the Network, and it has begun this work. The Network believes it is important to ensure compliance with the current referral system of reporting deaths before setting criteria whereby health-care practitioners could screen for donation potential. The Network will revisit the suggestion to implement screening criteria when the province has begun to demonstrate a higher degree of referral performance.

The Network reviews consent rates for tissue donation for both the Network and hospital staff and will continue to share performance metrics and best practices for tissue donation with hospitals, with a view to increasing consent rates.

The Network has met with the tissue banks in Ontario to review and streamline the screening process used to rule out those donors that the tissue banks do not feel would be suitable. This screening tool continues to be assessed and reviewed for improvements as standards change or at the request of the tissue banks.

The Network agrees that the province would be better served with a central tissue-processing capability, and advises that the choice of which organization provides that capability should be done through a competitive process.

[illegible]

The Ministry agrees with the need to ensure an adequate supply of quality tissue and is working with the Network to support improvements in this area. Further, the Transplant Action Team efforts will, through enhanced communication and education provided to all hospitals and promotion of standardized approaches, assist in increasing the number of identified potential tissue donors.

The Ministry will review the costs and benefits of a centralized tissue-processing model with the Network and consider the recommendations (expected in spring 2011) of Canadian Blood Services, which were requested by the provinces and territories, related to the design of a national organ and tissue donation and transplantation system.

The Ministry will also review the current hospital reimbursement model for organ and tissue donation with the Network and will consult with the Ontario Medical Association regarding physician compensation as part of payment discussions related to the Ministry's 2011 investment funding under the 2008 Physician Services Agreement.

PERFORMANCE MONITORING

Oversight

The 2009 report of the Organ and Tissue Transplantation Wait Times Expert Panel (Expert Panel) stated that "the final requirement to achieve accountability for performance and, ultimately, create an integrated system to support the transplant patient's journey is oversight for the system." It further suggested that system oversight is the most critical requirement for an effective and well-functioning provincial donation and transplant system.

In the United States, two oversight organizations receive data from transplant centres and review the centres' transplant activity, including patient survival rates and the volume of transplants conducted. One of these organizations is the Organ Procurement and Transplantation Network (OPTN), a not-for-profit organization that manages the U.S. organ allocation system and sets out standards for patient survival rates and transplant activity. The other organization is the Centers for Medicare and Medicaid Services (CMS), which regulates transplant programs that receive reimbursement under the U.S. Medicare program. Both organizations monitor compliance with their requirements through on-site reviews of transplant programs.

One factor that contributes to better transplant outcomes is the experience of the surgeons and other staff performing the surgery. Various studies have shown that surgeons need to perform a minimum number of procedures annually to maintain their competency. According to the U.S. OPTN's standards, a transplant centre is considered "functionally inactive" if no transplants are performed in a three-month period in the case of kidney, liver, or heart transplants, or in a six-month period in the case of pancreas or lung transplants. This designation may lead to the discontinuation of the related transplant program at that centre. Similarly, the U.S. CMS requires hospitals to perform a minimum number of heart, liver, and kidney transplants—generally 10 per year.

However, in Ontario, no minimum number of transplants is required. Further, the Expert Panel's 2009 report noted that "some transplant centres perform low volumes of transplants, which calls into question whether they should be providing this highly specialised and expensive service." We noted that two transplant hospitals had very low volumes of certain transplant procedures. In fact, one hospital performed a total of only 20 transplants over the three years ending March 31, 2010, with only six done in the 2009/10 fiscal year. Furthermore, we noted that one-third of the physicians who billed the Ontario Health Insurance Plan (OHIP) for transplant procedures in 2008/09 performed five or fewer transplants that year. (These physicians may have performed other surgical procedures that enabled them to maintain competency in transplants, but this is not independently assessed.)

There is no organization in Ontario responsible for overseeing organ and tissue transplantation activities—for example, by monitoring the number of transplant surgeries performed by hospitals or physicians. In this regard, the Expert Panel recommended that the Ministry determine the best structure for providing effective oversight. Further, the Expert Panel recommended that a system be established to monitor the use of best-practice standards and guidelines for organ transplantation and the outcomes of these procedures. The Ministry indicated that it is in consultation with Canadian Blood Services regarding the design of a national oversight function.

Reporting

The Expert Panel recommended that performance indicators be identified and targets set for donation and transplantation that are linked to outcomes. It also recommended that estimated transplant wait times should be publicly reported on the provincial wait times website.

Although standard outcome measures for organ transplants have generally not been developed *in Ontario, the ultimate measure* of a transplant program's success is the extent to which transplant recipients' lives are improved and extended. All of Ontario's transplant hospitals follow organ recipients after surgery and voluntarily forward related transplant data, such as details on organs transplanted and recipient survival information, to the Canadian Organ Replacement Register maintained by the Canadian Institute for Health Information (CIHI). Annually, CIHI sends each hospital its patient survival data, along with comparative information for either Ontario as a whole or all of Canada. However, information on transplant recipient survival is not received or reviewed by the Ministry or the Network.

The U.S. Scientific Registry of Transplant Recipients, a national database of statistics related to organ transplantation, is affiliated with the U.S. OPTN. The registry covers the full range of transplant activity, from organ donation and the wait-list to transplant recipients and survival statistics. This information is available to all the transplant centres. As well, certain information on any hospital that performs transplants—including wait times for organ transplants, the number of transplants performed, and survival statistics for transplant recipients—is also publicly available.

In Ontario, the Network produces an annual report that includes information on certain aspects of the organ donation and transplantation process province-wide, such as the number of individuals on each organ wait-list, the number of organ donors, and the number of each type of organ transplanted. However, the Network's 2008/09 annual report was not publicly released by the Minister until summer 2010. Further, the Network does not have information on patient survival, nor does it publicly release information on wait times for organ transplants or the number of transplants done at each of the eight transplant hospitals.

RECOMMENDATION 7

To provide additional assurance that organ and tissue transplantation in Ontario is meeting the needs of patients safely and efficiently, the Ministry of Health and Long-Term Care (Ministry), in conjunction with key stakeholders, including the Trillium Gift of Life Network, transplant hospitals, and transplant physicians, should determine the best structure for providing effective oversight for organ and tissue transplantation in Ontario, as recommended in the 2009 report of the Ministry's Organ and Tissue Transplantation Wait Times Expert Panel. As well, performance indicators for transplant activity in Ontario—such as wait times for transplant by organ, number of transplants performed by hospital, and patient survival rates by hospital—should be established and made publicly available.

[illegible]

The Network agrees with the Auditor General that organ and tissue transplantation (as opposed to donation) in Ontario needs more effective provincial oversight. At present, the Network's mandate covers both organ and tissue donation but does not extend to transplantation.

[illegible]

One of the transplant hospitals indicated that it believed Canadian Blood Services should take a more active national role in the priority listing of patients for transplant and the standards for monitoring overall performance.

[illegible]

The Ministry supports the Auditor's position that there needs to be assurance that organ and tissue transplantation and donation in Ontario is meeting the needs of patients safely and efficiently, and, as acknowledged by the Auditor, the Ministry's Organ and Tissue Transplantation

Wait Times Expert Panel made a similar recommendation. Following receipt of the Expert Panel's report, the Ministry immediately began to explore structural options, and the Transplant Action Team is now finalizing a proposal to provide oversight and performance monitoring for organ and tissue transplantation in Ontario. Further, the Ministry has commenced discussions with the Network around an enhanced role to strengthen system oversight. As well, the Ministry supports the use of performance indicators and will work with the Network to identify the appropriate indicators, with consideration of public reporting.

Chapter 3

Section

3.11 School Safety

Ministry of Education

Background

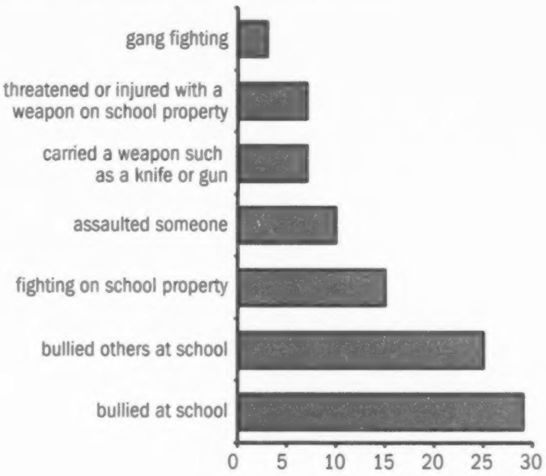
A learning environment that is both physically and psychologically safe is essential for student success because inappropriate behaviour can adversely affect not only a student's safety but also his or her motivation to learn. The impact of bullying, for example, can be severe: victims often deal with such issues as social anxiety, loneliness, physical ailments, low self-esteem, absenteeism, diminished academic performance, depression, and, in extreme cases, suicide. An international study released in 2008 that compared 40 countries identified that Canadian students were generally bullied at a rate higher than the average and more than that of most developed countries. A 2009 survey of Ontario students in grades seven through 12 by the Centre for Addiction and Mental Health identified that almost one in three students has been bullied at school; approximately one-quarter of students have bullied others at school; 10% of students have assaulted someone; 7% have carried a weapon such as a knife or a gun; and 7% have been threatened or injured with a weapon on school property (Figure 1).

There are 72 publicly funded school boards in Ontario and approximately 4,900 schools serving about 2.1 million students. Education in Canada is a provincial responsibility; in Ontario, it is governed principally by the *Education Act* and its regulations. This legislation sets out the duties and responsibilities of the Minister of Education, school boards, and school board staff.

The government has indicated that it is committed to improving publicly funded education and achieving positive outcomes for all students, and that it believes safe schools are a prerequisite for student success and academic achievement. Over the last three school years (2007/08–2009/10), the Ministry of Education has spent approximately $50 million annually on school safety initiatives.

Figure 1: Percentage of Surveyed Ontario Students (Grades 7-12) Involved in Serious Incidents at School, 2009

Source of data: Centre for Addiction and Mental Health



Audit Objective and Scope

The objective of this audit was to assess whether the Ministry of Education (Ministry) and selected school boards had adequate procedures in place to:

- ensure compliance with school safety legislation and policy requirements;
- measure and report on the effectiveness of activities to improve the safety of Ontario's schools; and
- ensure that grants to school boards to improve school safety were spent as intended.

Our audit work was conducted at the Ministry's Safe Schools Unit, which holds the primary responsibility for school safety within the Ministry; at three Ontario school boards; and at selected elementary and secondary schools within each school board. The school boards we visited were the Durham District School Board, Sudbury Catholic District School Board, and Toronto District School Board.

In conducting our audit work, we reviewed relevant legislation, policies, and procedures, and met with appropriate staff of the Ministry and the school boards visited, including supervisory officers, principals, and teachers. We also researched other jurisdictions and engaged an adviser with expert knowledge on school safety issues. Our audit also included a review of related activities of the Ministry's Internal Audit Services Branch. We reviewed the Branch's recent reports and considered its work and any relevant issues identified when planning our work.

Summary

A number of initiatives have been taken over the last few years to address safety issues in Ontario's schools. These include the appointment of the Safe Schools Action Team (Team), comprising safety and education experts, which has been engaged on three occasions to look at and provide recommendations on school safety issues, legislation, policies, and practices. The Team's recommendations have been a catalyst for new or significantly revised legislation and policies, training for thousands of school administrators and teachers, the development of communication materials for stakeholders, and increased funding to school boards to implement school safety programs and policies. However, neither the Ministry nor the school boards and schools we visited were collecting sufficient information on whether these initiatives are having an impact on student behaviour. Although the Ministry is in the process of hiring a consultant to develop performance indicators, without such information it is difficult to determine whether the millions of dollars being spent are reducing physical and psychological aggression in our schools.

Considerable efforts have been made to improve school safety, but a recent survey by the Centre for Addiction and Mental Health nonetheless identified that, although there had been a slight improvement over the previous five years, inappropriate behaviour is still prevalent among Ontario students. For example, 29% of students claim to be victims of bullying and 7% claim to have been threatened or injured with a weapon. Given these troubling statistics, it is vital that the government, Ministry, and school boards ensure that their efforts are effective in improving school safety. Better information on the success of its various initiatives would also help the Ministry to allocate funding to the areas of greatest need.

Some of our other key observations are as follows:

- The Ministry allocated $34 million—about two-thirds of its total annual school safety funding—to two initiatives primarily focused on suspended, expelled, and other high-risk students. The majority of this funding was allocated based on total board enrolment rather than on more targeted factors such as the actual number of students needing assistance. The percentage of students that had been suspended in each board ranged from 1% to more than 11% of the student population. As well, allocating the majority of funds based on total student enrolment might not be the best approach, given that some boards underspent their first-year allocation by as much as 70%.

- We visited a number of schools where police officers had been stationed and noted that the majority of school administrators indicated that having an officer in the school improved school safety and that expansion of such programs should be considered. We also noted that an evaluation undertaken of the program identified an improvement in relationships between students and police.
- Comparison of provincial and school board data on suspension rates to a recent anonymous provincial survey of students suggests that school administrators are not aware of the full extent of serious safety issues in some schools, such as the incidence of students being threatened or injured with a weapon. Most senior safety staff at the school boards we visited, as well as administrators at the schools we visited, told us that the discrepancy was due to a lack of reporting by students, possibly because of fear of reprisals, and that more needs to be done to facilitate student reporting of incidents.
- In addition to legislative requirements, the Ministry has established several policies on school safety that school boards and schools are responsible for complying with, including requirements pertaining to the application of progressive discipline for students who have repeatedly violated school safety policies. In 2007/08, the most recent school year for which the Ministry has published the data, suspension rates among school boards ranged from about 1% to 11% of the student population and varied even more significantly among the schools at the boards we visited (0%–25%). Neither the Ministry nor the boards we visited had formally analyzed the differences among suspension rates of school boards to assess whether progressive discipline policies are being applied consistently across the province.

Detailed Audit Observations

SAFE SCHOOLS STRATEGY

In December 2004, the Minister of Education appointed a Safe Schools Action Team (Team) comprising safety and education experts and chaired by the then Parliamentary Assistant to the Minister of Education. Since then, the Minister has engaged the Team on three separate occasions to look at, report on, and provide recommendations on school safety issues. The government's and the Ministry's responses to these three reports have largely formed the basis of the Ministry's Safe Schools Strategy, which is founded on the premise that a safe and positive learning environment is essential for student success.

The Team produced three reports and the Ministry responded in three phases. School boards have responded accordingly with policy changes and new programming to address student behaviour issues. The Team's reports and some of the major initiatives associated with each of the Ministry's corresponding phases are as follows.

Shaping Safer Schools: A Bullying Prevention Action Plan, November 2005, advised on the development of a comprehensive, co-ordinated approach to bullying prevention in Ontario schools.

Phase 1:

- funded teacher and principal associations to provide bullying prevention and intervention training;
- provided almost $8 million to school boards for the purchase of bullying prevention resources;

- developed a Bullying Prevention Registry that is posted on the Ministry's website to provide one-stop access to a range of school safety programs and resources;
- provided sample "school climate" surveys to identify school safety issues;
- entered into a multi-year partnership agreement with Kids Help Phone to expand the 24-hour hotline's ability to respond to calls and on-line questions from students; and
- published a pamphlet for parents to be used as a guide for dealing with bullying and its effects.

Safe Schools Policy and Practice: An Agenda for Action, June 2006, reviewed school safety legislation, regulations, policies, and practices.

Phase 2:

- amended the *Education Act*, effective February 1, 2008, to add bullying as an infraction for which principals must consider suspending a student and to require that school boards provide programs for students who have been expelled or who are serving long-term suspensions;
- issued new or significantly revised policies, including a provincial code of conduct and a policy on progressive discipline and promoting positive student behaviour; and
- provided approximately $34 million annually to school boards, beginning with the 2007/08 school year, to implement academic and non-academic programs for expelled students and students serving long-term suspensions, and to hire professionals and paraprofessionals, such as psychologists and social workers.

Shaping a Culture of Respect in Our Schools: Promoting Safe and Healthy Relationships, December 2008, reviewed issues including gender-based violence, homophobia, sexual harassment, reporting requirements for school staff, and the removal of barriers to students reporting these types of behaviours.

Phase 3:

- further amended the *Education Act*, effective February 1, 2010, to require that school board staff report serious student incidents to the school principal and that principals contact the parents of students harmed in such incidents;
- revised policies to reflect legislative and other changes, such as a requirement that school staff who work directly with students respond to incidents that may have a negative impact on the school climate, such as racist, sexist, or homophobic slurs; and
- provided $4 million to school boards to promote school safety, equity, and inclusive education, and to address harassment in schools.

In addition to the phases noted above and in response to recommendations from the Safe Schools Action Team, the Ministry has revised the elementary health and physical education curriculum to include sections on healthy relationships, equity, and inclusive education. These changes are scheduled to be implemented in the 2010/11 school year. The Ministry is also in the process of developing new courses at the secondary school level, such as gender studies, world cultures, and human dynamics.

SCHOOL SAFETY INITIATIVES

Over the three school years from 2007/08 through 2009/10, the Ministry allocated almost $150 million to fund initiatives identified as supporting school safety. The Ministry's major initiatives and related funding are shown in Figure 2.

Programs for High-risk Students

On February 1, 2008, changes to the *Education Act* came into effect requiring that school boards put in place programs for expelled students and students serving long-term suspensions. In support of this new requirement, the Ministry has committed

Figure 2: School Safety Initiatives Funded by the Ministry of Education, 2007/08–2009/10 ($ million)

Source of data: Ministry of Education

Initiative	2007/08	2008/09	2009/10	Total
programs for high-risk students:				
programs for expelled and suspended students	23.0	23.0	23.4	69.4
professional and paraprofessional staff	10.5	10.5	10.7	31.7
Urban and Priority High Schools	n/a	10.0	10.0	20.0
Student Support Leadership	3.0	3.0	3.0	9.0
Kids Help Phone	1.0	1.0	1.0	3.0
other initatives	5.5	5.2	4.4	15.1
Total	[illegible]	**52.7**	[illegible]	**148.2**

approximately $23 million annually to fund academic and non-academic programs for suspended and expelled students. These programs allow students the opportunity to continue their education and assist them in developing positive attitudes and behaviours. An additional amount—over $10 million annually—has been provided to pay for the services of professionals and paraprofessionals, such as psychologists, social workers, and youth workers, who work with at-risk students as well as suspended and expelled students to help them reintegrate into the classroom and complete their education.

Together, the programs for expelled and suspended students and the funding for professionals and paraprofessionals account for about two-thirds of the Ministry's school safety funding. We noted that 20% of this funding was allocated based on demographic factors such as parental education and family unit composition, and an additional 20% was based on the geographic dispersion of schools. However, the majority (60%) of this funding was allocated based on the total number of students enrolled rather than more targeted factors, such as the number of suspended and expelled students needing assistance, which can vary significantly among boards. For example, suspension statistics provided by the Ministry for the 2007/08 school year (the most recent information available at the time of our audit) indicate that, for Ontario's 72 school boards, the rate of students being suspended at least once during the school year ranged from less than 1% of elementary and secondary school students to more than 11%.

According to the terms of the agreements between the Ministry and the school boards, the boards were expected to provide a report for the 2007/08 school year—the first year of these initiatives—that would include how program funds had been spent. We reviewed a sample of reports from school boards for the 2007/08 year, which accounted for approximately half the funds allocated by the Ministry for these two initiatives, and discovered that several school boards reported that they had underspent their allocation by as much as 70%. This magnitude of underspending raises concerns about whether funding based primarily on student enrolment is the most appropriate allocation method, because some school boards may not have as great a need as others.

Given that this was the first year that school boards were required to provide programs for expelled students and students serving long-term suspensions, it is possible that some boards were not able to fully implement new programs in such a short period of time. Accordingly, the Ministry allowed the school boards to carry unspent funds to the following year. However, in the second year, funding was allocated through general school board funding of grants for student needs. The Ministry did not enter into specific agreements covering these programs, and the Ministry did not require that the boards report on their use of the program funding. Furthermore, the Ministry did not restrict the use of program funds to the initiatives for which they were provided.

All three of the school boards we visited had established programs that provided academic and non-academic supports to expelled students and students serving lengthy suspensions. We also noted that, during the course of our audit, the Ministry sent a survey to school boards to obtain information about programs for such students. The survey requested information on staffing levels, student capacity, space allocation, types of supports offered, and board-established performance indicators. Prior to this survey, performance information obtained by the Ministry had been limited to the number of students who attended and completed such programs.

The Ministry had not collected information on the impact of these programs on school safety, such as whether there had been any subsequent improvements in student behaviour. We noted that only one of the three boards we visited tracked the subsequent behaviour of such students—although the tracking was limited to expelled students, not students serving lengthy suspensions, and for a period of only three months after the completion of the program. The Ministry indicated that it had expanded the capacity of its information system so that, starting with the 2009/10 school year, it would capture additional information on students in these programs, including whether students attended programs, whether they completed programs, and the types of non-academic programs students received, such as anger management or individual counselling. The Ministry indicated that the collection of these data will help it to assess whether students' behaviour has improved as a result of these programs.

Urban and Priority High Schools Initiative

Starting in the 2008/09 school year, the Ministry committed $10 million annually to 34 schools in 12 school boards under its Urban and Priority High Schools (UPHS) initiative. The purpose of this funding was to provide additional support for select secondary schools in urban neighbourhoods that face challenges such as poverty, criminal and gang activity, a lack of community resources, and below-average student achievement. According to the Ministry, schools use UPHS funding for a broad range of activities, including breakfast and lunch programs, extracurricular activities such as sports and music, and additional staffing, such as for social workers and child-and-youth workers. The Ministry's primary goals for this initiative were to improve school safety and academic achievement.

According to the terms of the program, the Ministry would provide funding based on applications for individual schools that included a school and community needs assessment and an action plan. We noted that the Ministry had identified many evaluation criteria, and these criteria were to be scored by a team of evaluators as "low," "moderate," or "high." However, since specific weighting was not assigned to each criterion, no overall ranking of schools could be made, and the selection process was not always clear. We also noted that the Ministry accepted applications on a one-time basis. Schools whose applications were approved would continue to receive funding in subsequent years without reapplying. The Ministry indicated that this program was designed to address needs that required long-term solutions and committed to a full review after five years.

In 2008/09, the Ministry provided $3.5 million—more than one-third of all UPHS funding—to one school board, even though the Ministry did not receive any specific applications from individual schools in that board. In other words, the funding was allocated based on that board's overall need rather than on applications from individual schools, as was the case for other boards. Thus, schools in other school boards that had a demonstrated need or that submitted stronger action plans may have been denied funding. Although schools from this board subsequently provided the Ministry with applications for the 2009/10 school year, there was no change in the overall amount of funding provided to this board.

Unlike its funding of programs for suspended and expelled students and funding for the services of professionals and paraprofessionals, the Ministry requires that schools report expenditures related to its UPHS initiative. Only one of the school boards we visited had received UPHS funding for 2008/09. Although this school board had provided the Ministry with information indicating that it had spent most of its 2008/09 allocation on staffing, including child-and-youth workers and safety monitors, it had not provided the Ministry—nor was it able to provide us—with specific details of the activities and the related costs at each school supported by this initiative.

Although the Ministry's intended outcomes for the UPHS initiative included improved school safety and student achievement, it did not set any specific goals, such as reducing the incidence of bullying by a target amount. The Ministry did request, however, that schools include in their applications measurable goals and performance indicators they would use to assess the effectiveness of their UPHS activities. Our review of a sample of approved applications identified that some schools focused their efforts on student achievement and thus did not develop goals and indicators directly related to school safety. For the schools that directed funding to improving school safety, we found that the goals and indicators developed were not sufficient in all cases to assess the effectiveness of school safety initiatives.

The Ministry had also developed reporting templates that schools were to use to identify baselines and set goals for Ministry-established performance indicators, which included such school safety indicators as the number of students suspended, the number of violent incidents, and the percentage of students who felt safe at school. Although such information is useful and the schools we reviewed generally provided it, many of these performance indicators were better suited to gauging the impact of an entire school's safety activities than the effect of the specific activities funded under the UPHS initiative. We noted that in one U.S. jurisdiction, continued funding for programs for expelled and at-risk students was contingent on factors that included demonstrating measurable progress in meeting program objectives.

The Ministry's primary intention for the first year of the program as a whole was to set baseline data against which future years could be evaluated. At the time of our audit, the Ministry had just received reporting information from participating schools for the first year of the initiative and had yet to roll up the information to gauge, to the extent possible, the initial impact of this initiative on school safety. However, the information being collected may not be sufficiently reliable to assess progress. For example, the one school board we visited that had received UPHS funding did not submit applications for its schools for 2008/09, nor had these schools submitted the required year-end report to the Ministry detailing the progress of their initiatives. Furthermore, information obtained from a sample of schools from other boards identified cases where there was little information provided on the direct impact such activities had on school safety.

Student Support Leadership and Other Co-operative Initiatives

The Ministry has put in place policies encouraging boards and schools to work with community agencies and has partnered with the Ministry of Children and Youth Services to develop the Student Support Leadership initiative. The aim of this initiative is to build and enhance partnerships between school boards, schools, and community agencies to provide supports that promote positive student behaviour. Starting in the 2007/08 school year, the Ministry committed $3 million annually for three years to clusters of neighbouring school boards and community agencies. Each cluster received a base amount of funding plus an additional amount based on various factors, such as student enrolment and community demographics.

We observed that, in response to the Student Support Leadership initiative, all three boards had undertaken activities that included working toward improving student access to community agencies, but the boards were unaware of how many students they referred to community agencies and had not assessed the effectiveness of such services in addressing student issues.

We noted that one of the school boards we visited had partnered with its local police service over the last two years to place police officers in over 30 of the board's secondary schools to build relationships and trust between students and police, and to improve student safety. Although the school board had not undertaken its own evaluation of this initiative, the local police service had conducted a survey at the start and end of the first year of this program. The survey included parents, teachers, school administrators, and students from the participating secondary schools. The police concluded that, overall, the initiative demonstrated a number of positive effects and has the potential to be increasingly beneficial in crime prevention, crime reporting, and relationship building. The survey results showed that, although improvements were not noted in all areas of school safety, some specific improvements included an increase in reporting by students who had been victims of crime; improved parental perception of school safety; decreased student concerns over being bullied; and improvements in student perceptions of the police. Also, at the end of the first year, about two-thirds of the students, three-quarters of the teachers, and 90% of the parents who responded to the survey indicated they felt that having a police officer in the school made their school safer.

We visited a number of schools in which police officers had been stationed and noted that the majority of administrators in these schools indicated that having an officer in the school improved school safety and that expansion of such programs should be considered.

Although the Student Support Leadership initiative demonstrates the Ministry's willingness to partner with another ministry to promote positive student behaviour, we noted that it has not worked with school boards, other ministries, or community police services to explore the effectiveness of placing police officers in schools for the purpose of improving school safety.

RECOMMENDATION 1

To ensure that school safety funding is used effectively to achieve program goals to improve school safety, the Ministry of Education and, where appropriate, school boards should:

- reconsider the appropriateness of allocating, on the basis of enrolment, the majority of school safety funding primarily to assist suspended, expelled, and other high-risk students, given that the ratio of such students to total enrolment may vary significantly among school boards;
- for other specific program funding, ensure that the funds are allocated based on identified needs and follow up to verify that the funds provided are being spent for the intended purpose; and
- obtain and share information on the success of initiatives such as Student Support Leadership and police officer placements in schools, and determine whether a more significant co-ordinating role for the Ministry is appropriate to enhance their effectiveness.

[illegible]

The Ministry is concerned about the health and safety of all students in Ontario, and the policies it puts in place need to be universally implemented; therefore, funding, training, and supports for policy initiatives must be made available to all boards.

The Ministry agrees that a review of the differences in suspension and expulsion rates within and among boards could provide insight into the extent to which such disciplinary measures are being applied consistently and appropriately across the province. The Ministry is committed to conducting such a review, although this will be a multi-year process.

The current funding formula, based 60% on enrolment and 40% on other factors, ensures that funding and support for school safety programs is available to all boards and all students in Ontario. As a condition of receiving funding, the boards will be required to submit reports for all school safety programs on how the funds are spent. The Ministry will ensure that these reports contain sufficient detail to provide assurance that the funds have been spent for the purposes intended.

The Ministry's research on school safety will continue to be evidence-based, and the Ministry will gather and share information on the success of school safety initiatives. The Ministry encourages boards to form partnerships with police services and other community groups in order to support students, and it believes that decisions on how to address school needs through partnerships with police are best made at the school and community levels.

SUMMARY OF SCHOOL BOARD RESPONSES

All three school boards generally agreed with this recommendation. One school board indicated that providing funding based on identified student need rather than enrolment may improve assistance to high-risk students. The two other boards agreed that funding should be allocated on the basis of need, but one also noted that it was important to continue to fund ongoing programs whose successful implementation has led to improved school safety, and the third board cautioned that needs may be difficult to identify or predict. All three school boards also supported the sharing of promising practices. As well, school boards expressed interest in continuing to explore and build upon police partnership models that work best for their communities, and share the impact that these models have on student safety.

MONITORING COMPLIANCE WITH SCHOOL SAFETY REQUIREMENTS

In response to the Safe Schools Action Team's recommendations, the government has revised the *Education Act* and the Ministry has introduced new or revised school safety policies. School boards and schools are responsible for complying with legislation and policies, such as the requirements that staff report serious incidents to the school principal; that principals consider mitigating factors in making disciplinary decisions; that school boards develop policies on bullying prevention and intervention and progressive discipline; that schools put in place a Safe School Team responsible for school safety; and that boards perform criminal background checks on employees and service providers.

We were informed that neither the Ministry nor the school boards we visited have established a formal monitoring function to ensure compliance with school safety requirements. At several of the school boards and schools we visited, some policies or parts of policies had not been updated or had not been updated before new requirements took effect. We also noted that each of the schools we visited either did not have a functioning Safe School Team or did not have representation on the team from all required stakeholders, such as parents and community partners.

As noted previously, the rate of suspensions at Ontario's 72 school boards ranged from 1% to more than 11% of student enrolment. Although we were told that the Ministry intends to review these differences, at the time of our audit, it had not done so. A review of these differences in suspension rates could provide insight into the extent to which such disciplinary measures are being applied consistently and appropriately across the province.

At the school level, we found that the variation in suspension rates was even more pronounced. At all three boards we visited, the suspension rate for their schools ranged from 0% to over 25% of all students. None of the three boards had formally investigated whether such differences were reasonable or assessed whether disciplinary measures at their schools were being applied consistently and appropriately. It may be useful for boards to compare the rate of suspensions and expulsions to the number of incidents, which are required to be reported, for their schools to highlight disciplinary issues that might warrant further investigation.

According to the *Education Act* (Act), a principal's decisions on disciplinary action must take into consideration mitigating factors, such as whether the student has the ability to control his or her behaviour. Disciplinary measures are primarily at the discretion of each school principal. The Act defines behaviours for which a principal must suspend a student and those for which a principal must consider a suspension. The Act does not provide guidance as to the length of the suspension but prescribes that suspension can be between one and 20 days. The majority of senior safety staff at the school boards we visited and school administrators we interviewed noted that further guidance should be provided on the application of disciplinary measures to ensure greater consistency.

Although the Act identifies a number of behaviours that could lead to a suspension, such as drug possession, vandalism, or bullying, it allows school boards to define additional behaviours for which a principal must consider a suspension. We noted that all three school boards we visited added many other behaviours beyond those in the Act, such as fighting, swearing, sexual harassment, racial slurs, and smoking on school property. According to ministry data for the 2007/08 school year, more than 75% of incidents for which students were suspended were for board-defined activities. Although the Ministry's information system tracks the total number of such suspensions, it does not do so according to the specific type of inappropriate behaviour; rather, all board-defined suspensions are coded as "Other." Thus, the ability to analyze this information in a meaningful way is limited. The majority of school administrators and some senior safety staff at the school boards we visited told us that the Ministry should have greater involvement in identifying the behaviours leading to suspension so as to foster greater system-wide consistency.

To protect the safety of students in Ontario, legislation requires that school boards obtain a criminal background check for employees and service providers who come into direct contact with students on a regular basis. After this initial check, school boards are required to obtain annually a declaration from all such individuals stating whether or not they have subsequently had any criminal convictions. All three of the school boards we visited had policies in place requiring that employees and service providers undergo criminal background checks and that employees provide an annual self-declaration thereafter. Because self-declarations may not be reliable, British Columbia requires an updated criminal background check every five years for those who work with students. Two of the three school boards we visited required updated criminal background checks from service providers every three years. In addition, all three boards had policies on criminal background checks for volunteers, but they did not require that these checks be periodically updated.

RECOMMENDATION 2

To promote compliance with all school safety legislation and policies designed to provide a safe learning environment for Ontario students, the Ministry of Education should work with school boards to:

- **monitor compliance with required school safety legislation and ministry policies;**
- **ensure that schools have functioning Safe School Teams in place that include representation from all required groups;**

- investigate significant differences in suspension rates between school boards and schools to assess whether such differences are reasonable and to determine whether additional student disciplinary guidance is necessary to ensure a reasonable level of consistency across the province; and
- assess whether requiring periodic updates to criminal background checks for school staff, service providers, and volunteers would enhance the safety of students in Ontario's schools.

MINISTRY RESPONSE

The Ministry is supporting enhanced governance and monitoring in the sector by providing $5 million in the 2010/11 fiscal year to establish an internal audit capacity at school boards. The internal audit function will include a risk-assessment framework that includes the assessment of financial and operational compliance. Through this initiative, the Ministry will encourage boards to review school safety programs and services for compliance with related legislation, regulation, and policy. Also, school boards will establish audit committees to oversee the internal audit activities and help ensure overall financial and operational compliance.

The Ministry has reiterated to school boards their obligation to have at least one parent, one student (where appropriate), one teacher, one support staff member, one community partner, and the principal on their Safe School Teams. The Ministry is committed to working with school boards on an annual basis to assist them in ensuring that Safe School Teams have the appropriate members.

The Ministry is committed to increasing its analysis of the data it collects to assist in the development of policies and initiatives as well as in performance measurement. The Ministry also commits to sharing this analysis with school boards and anticipates that this analysis will cause boards to reflect on their practices. In addition, although the Ministry recognizes that disciplinary decisions are made on a case-by-case basis, it intends to develop training materials on progressive discipline and mitigating factors to provide more consistency in practice across the province.

The Ministry is committed to discussing the issue of periodic updates to criminal background checks with its stakeholders and with police services.

SUMMARY OF SCHOOL BOARDS' RESPONSES

All three school boards agreed with this recommendation. One school board specifically commented that it would work with the Ministry to ensure that all schools comply with safety legislation and policies. Another board commented that, although it supported the recommendation, it may require a reassessment of resources to track compliance and monitoring issues. Two of the boards also indicated that they supported investigating significant differences in suspension rates and committed to working with the Ministry to analyze these differences. In addition, one of the boards commented that periodic updates to criminal background checks for its staff and volunteers could help to further support the board's safety goals, although it cautioned that such a change should be considered on a system-wide basis.

MEASURING AND REPORTING ON SCHOOL SAFETY

Objectives and Performance Indicators

Although the Ministry has taken action in response to the Safe Schools Action Team's recommendations to date, its efforts to evaluate the impact of these activities on the safety of students have been limited. The Safe Schools Strategy is based on the premise that a safe and positive learning environment is essential for student success, yet the Ministry has not established measurable objectives for school safety, such as reducing the number of violent incidents or incidents of bullying by a specific number or percentage. Specific and measurable targets would facilitate the assessment of the effectiveness of its initiatives. Such evaluations are of critical importance not only to determine whether funds have been well spent but because studies indicate that some efforts to improve school safety can actually be counterproductive. For example, recent studies on bullying prevention programs highlighted that as many as 15% of the programs reviewed actually had negative effects on the rates of bullying and victimization.

Shortly after we completed our fieldwork, the Ministry issued a request for services to hire a consultant to develop appropriate performance indicators for its Safe Schools Strategy.

The Safe Schools Action Team specifically noted that having good underlying data informs decision-making and is critical in supporting best practices. The Team also noted that data should be used to monitor the school climate, evaluate current programs, focus resources on areas of need, and develop and implement new policies and programs. Although ministry policies require that school boards establish performance indicators to monitor, review, and evaluate the effectiveness of school safety policies and programs, in the three school boards we visited, we noted that efforts to evaluate the impact of these activities were generally limited to anecdotal feedback and informal review of suspension statistics. At the time of our audit, one of the three boards had just established measurable goals and performance indicators focused on student safety, but it had not yet measured any outcomes. Some of the schools we visited had set some measurable objectives, but measurable performance indicators were generally limited to reducing the overall rate of student suspension.

Analysis of School Safety Data

We observed that the Ministry and the school boards and schools we visited collect data related only to those school safety incidents that result in a suspension or expulsion. Yet many incidents that pose a concern for school safety may not necessarily result in disciplinary action as significant as suspension. For example, according to ministry data for the 2007/08 school year, less than 0.1% of students were suspended for bullying. In contrast, a recent survey of Ontario students in grades seven to 12 conducted by the Centre for Addiction and Mental Health indicated that 29% of students reported having been bullied at school and 25% of students reported having bullied others at school. Thus, suspension and expulsion statistics provide limited insight into the full extent of school safety issues. The majority of senior school board staff and school administrators we asked indicated that tracking the rates of incidents that do not result in suspension or expulsion would be useful in identifying and targeting problems and in evaluating existing programs.

With respect to suspension data, although ministry data suggest that the overall rate of suspension in the province has decreased, dropping from 7% of all elementary and secondary school students in the 2004/05 school year to 4.5% in 2007/08, the Ministry has not evaluated whether this change indicates that students are safer. At the three school boards we visited, although the frequency and level of detail of data generated regarding suspensions and expulsions varied by board, none of the boards had used the data to identify and target problem areas. Such data could be used to identify necessary policy and program changes. For example, if a high percentage of suspensions were for a specific infraction, the board could target this area of school safety for additional programming. Similarly, the use of such data at the school level was limited, although some schools indicated that they used this information to target students who are frequently in trouble, offering programs such as teacher–student mentoring.

Recording and analyzing complaints can also provide valuable insight into school safety issues. However, we noted that none of the school boards or schools we visited was analyzing complaints related to school safety. Such analysis could identify problem issues and areas where corrective or targeted actions should be taken.

Stakeholder Surveys

Surveys of stakeholders such as students, parents, and school staff can provide valuable data to be used in identifying significant safety issues and assessing progress made in addressing them. Starting with the release of the Team's first report in November 2005, schools have been encouraged to undertake "school climate" surveys to assess their safety. As of February 1, 2010, ministry policy requires that schools complete climate surveys every two years. However, the Ministry has not undertaken its own survey and has not collected survey data from school boards or schools to gauge the safety of Ontario schools at a province-wide level.

The use of surveys was also limited at the school boards we visited. For example, although two of the three boards had conducted surveys of students that included questions on school safety, only one of these boards had done so periodically so that it could benchmark its progress, and its surveys asked students only two questions pertaining to school safety: whether they felt safe at school, and whether they felt safe on their way to and from school. At the time of our audit, this board had drafted a more comprehensive survey aimed at students, which it intended to roll out in the near future. This draft survey contained various questions on school safety, including questions on bullying, sexual harassment, and homophobia. This board had also drafted a survey on bullying to be directed to parents.

None of the schools we visited could demonstrate that they had surveyed students with respect to school safety issues, although we noted that a student-led committee at one of the schools had taken the initiative to conduct a survey. That survey resulted in the school planning to hold a number of activities devoted to safety, including safety-based games and an assembly featuring a guest speaker who was an authority on the subject.

Communication of School Safety Information and Incident Reporting

The Ministry has made an effort to ensure that the entire school community, including parents, students, and staff, are aware of relevant school safety legislation, policies, and resources. These efforts include posting the following on the ministry website: all three of the Team's reports; relevant policies, such as that on bullying prevention and intervention; fact sheets and guides for parents and others on topics such as bullying, progressive discipline, suspensions, expulsions, and recent legislative changes; and information on the availability and purpose of the Kids Help Phone confidential counselling service. The Ministry has also made many materials available to school boards and schools to disseminate to stakeholders; for example, it produced enough copies of a bullying guide written for parents for school boards and schools to distribute to all parents in the province.

Ministry policies also require that school boards communicate safe schools policies and procedures and other safe schools information to the school community, including parents, students, and staff. We noted that all of the school boards and schools we visited made efforts, to varying degrees, to communicate relevant school safety policies, procedures, and other information through means that included school board and school websites, student agendas, parent committees, school assemblies, newsletters, and other documents.

Despite the significant efforts that the Ministry, school boards, and schools have been taking to communicate about school safety and to facilitate better reporting of and response to serious student safety incidents, recent survey information and discussions with senior safety staff at school boards and school administrators indicate that more needs to be done to encourage students to report serious school safety incidents to teachers and principals. The Centre for Addiction and Mental Health's (CAMH's) 2009 survey of Ontario students in grades seven to 12 suggests that the rate of serious school safety incidents may be significantly higher than the rate of suspension pertaining to such incidents. For example, the survey identified that about 7% of students reported having been threatened or injured with a weapon on school grounds, and approximately 7% of students identified having carried a weapon during the year preceding the survey. Such offences are generally automatic grounds for suspension and for considering expulsion. However, ministry data for the 2007/08 school year—the most recent available—showed that less than 1% of Ontario students were suspended or expelled for such incidents.

All senior safety staff at the three school boards we visited and almost all school administrators we spoke with felt that the difference between the rate of suspension for such serious incidents and the level of incidence identified in the CAMH survey is primarily due to a lack of reporting of such incidents by students. They suggested a number of ways to address this issue, including ensuring that students can report anonymously because many students do not report out of fear of retaliation; ensuring that students feel that action will be taken if they report an incident; facilitating greater parental involvement to increase reporting; and providing additional training to educators in order to facilitate greater trust between teachers and students.

RECOMMENDATION 3

To help in its efforts to ensure that students are educated in a safe environment, the Ministry of Education should work with school boards to:

- develop measurable objectives and related performance indicators for activities intended to improve school safety, and periodically measure progress in achieving these objectives;
- capture data on incidents of inappropriate student behaviour and complaints received, in addition to the information currently collected on suspensions and expulsions, to support the assessment of existing initiatives and identify areas on which to focus future efforts;
- conduct school safety surveys to gauge the progress achieved in improving school safety at the provincial and school board levels; and
- review existing best practices in Ontario and elsewhere that have been found to be effective in encouraging students to report serious school safety incidents.

MINISTRY RESPONSE

The Ministry has contracted with an organization to provide it with expert advice on developing a comprehensive evaluation framework to measure the success of its Safe Schools Strategy and is committed to evaluating the strategy when it has an evaluation framework in place. In addition, as a result of the evaluation framework, the Ministry will have provincial measures and indicators for safe schools and, commencing with the 2009/10 school year, the Ministry is collecting data on the effectiveness of programs for suspended and expelled students.

The Ministry agrees that additional data are required to measure the success of the Safe Schools Strategy at the board and school level, and is committed to working with boards to capture these data. The Ministry requires schools to conduct anonymous school climate surveys of their students every two years. These surveys must include questions on bullying and harassment related to homophobia, gender-based violence, and sexual harassment. The Ministry expects school boards to assess how this tool can best be used to assist principals in creating local solutions that address the specific needs of their respective populations.

The Ministry will continue to review existing practices in Ontario and elsewhere that are found to be effective in encouraging students to report serious school safety incidents and will share these practices with the boards.

SUMMARY OF SCHOOL BOARDS' RESPONSES

All three school boards generally agreed with the recommendation. One of the boards indicated that further insight may be gained if additional information on incidents of inappropriate student behaviour were collected. Another board commented that capturing additional data is worthwhile and important. However, two of the boards also cautioned that capturing and analyzing additional data would be challenging, and committed to working with the Ministry on how to best capture this data within available resources. In addition, one board commented that sharing effective practices used in Ontario with school boards would be helpful.

SCHOOL SAFETY TRAINING

The Ministry advised us that, in response to recommendations in the Team's three reports, it had provided or funded training on school safety issues for tens of thousands of administrators and teachers on topics such as bullying prevention and intervention, as well as on legislative and policy changes. Training has been directed primarily to Ontario's approximately 115,000 public school teachers and 7,000 principals and vice-principals. However, neither the Ministry nor the school boards we visited had formal procedures in place to ensure that sufficient training was provided to all teachers and school administrators. For example:

- In response to the Team's first report, the Ministry provided funding to principal and teacher associations to deliver bullying prevention and intervention training to most principals and vice-principals and to approximately 17,500 teachers. Although the Team noted that teachers and staff at each school need the necessary skills to identify, respond to, and prevent bullying incidents, neither the Ministry nor the school boards we visited had reliable information on the teachers and staff who had received this training since that time.
- Following the Team's second and third reports, the government introduced changes to legislation and the Ministry made significant policy changes, including changes addressing issues such as gender-based violence, homophobia, sexual harassment, reporting requirements for school staff, and how to reduce barriers to student reporting of inappropriate behaviours. To ensure appropriate implementation of the changes arising from the second report, the Ministry provided funding to the Council of Ontario Directors of Education to deliver training to principals, vice-principals, supervisory officers, and other small groups from each school board. According to the Ministry, almost 9,000 individuals received training through this initiative. Following the third report, the Ministry provided training to three representatives from each school board and provided funding to school boards to train three representatives from each school. However, in both cases, the Ministry was not aware of how many additional school board staff had subsequently received training, nor did the school boards we visited track the number of additional staff trained. The schools we visited indicated that they had provided training and that all teachers were required to attend, but we noted that the depth and method of training varied, ranging from short staff meetings to the topic being covered during professional development days.
- Although teachers can receive training on school safety issues, none of the school boards

we visited had mandated ongoing school safety training. In addition, although all three school boards had an induction program for new teachers, only one of the boards required that new teachers take courses that included at least some instruction on school safety.

The majority of school board staff, school principals, and vice-principals we interviewed felt that school safety training for teachers could be improved. Suggestions included additional mandated training for all teachers; additional training for new teachers and prospective teachers attending faculties of education; and greater prioritization of school safety training by both the Ministry and school boards.

RECOMMENDATION 4

To build on the steps taken to date to ensure that school staff are adequately trained to deal with school safety issues, the Ministry of Education should work with school boards to assess whether school safety training delegated to schools is of sufficient depth to meet the needs of school staff.

MINISTRY RESPONSE

The Ministry has recently requested, as a minimum, that boards dedicate time at professional activity days to school safety issues, paying particular attention to the needs of new staff and occasional teachers. The Ministry has used a train-the-trainer model to train board staff on new safe schools legislation and policy, because this approach was determined to be the most efficient method for delivering large-scale training with limited resources. The Ministry has also provided funding and other resources to boards to subsequently train principals, teachers, and other staff. In addition, the Ministry has made available resources on safe schools through Building Futures, a workshop for teacher candidates, and through the New Teacher Induction Program to new teachers employed in publicly funded schools.

SUMMARY OF SCHOOL BOARDS' RESPONSES

All three school boards agreed with the recommendation. One of the school boards indicated that school safety training should be in-depth and ongoing, and also noted that in an effort to improve staff training it was now in the process of revising its training practices and its tracking of employee training. This board also indicated that it would appreciate working with the Ministry to determine the most effective models, within available resources, to train staff.

Chapter 4

Follow-up on 2008 Value-for-money Audits

It is our practice to make specific recommendations in our value-for-money (VFM) audit reports and ask ministries, agencies of the Crown, and organizations in the broader public sector to provide a written response to each recommendation, which we include when we publish these audit reports in Chapter 3 of our Annual Report. Two years after we publish the recommendations and related responses, we follow up on the status of actions taken by management with respect to our recommendations.

Chapter 4 provides some background on the value-for-money audits reported on in Chapter 3 of our *2008 Annual Report* and describes the status of action that has been taken to address our recommendations since that time as reported by management.

For several of these audits, hearings were also held and reports issued by the Standing Committee on Public Accounts. The Committee's reports generally endorse the recommendations we made and contain further recommendations that, in addition to covering other matters arising during the hearings, often require further updates from the audited organization on the progress being made in addressing our recommendations. Such additional reporting helps to ensure that action is being taken and progress being made in addressing the issues raised. Chapter 6 describes the Committee's activities more fully.

We are pleased to be able to report that for over 90% of the recommendations we made in 2008, management has indicated that progress is being made toward implementing our recommendations, with substantial progress reported for nearly half. We found similar progress in the two previous years as well.

Our follow-up work consists primarily of inquiries and discussions with management and review of selected supporting documentation. In a few cases, the organization's internal auditors also assisted with this work. This is not an audit, and accordingly, we cannot provide a high level of assurance that the corrective actions described have been implemented effectively. The corrective actions taken or planned will be more fully examined and reported on in future audits and may impact our assessment of when future audits should be considered.

Chapter 4

Section

4.01

Ministry of Health and Long-Term Care

Addiction Programs

Follow-up on VFM Section 3.01, *2008 Annual Report*

Background

The Ministry of Health and Long-Term Care (Ministry), through the 14 Local Health Integration Networks (LHINs), funds community agencies and hospitals to provide services to help Ontarians deal with alcohol, drug, and gambling addictions. These services include assessment and referral, day and evening programs, detoxification, residential programs, recovery homes, and substance abuse treatments. More than 150 community-based addiction service providers deliver these services across the province. For the fiscal year ended March 31, 2010, the Ministry provided $149.8 million ($128.8 million in 2007/08) in addiction transfer payments, comprising $121.6 million ($101.1 million in 2007/08) to combat substance abuse and $28.2 million ($27.7 million in 2007/08) for problem-gambling funding to treat an estimated total caseload of 117,000 (114,000 in 2007/08) people.

In our *2008 Annual Report*, we found that there was still significant work to be done to ensure that people with addictions were being identified and were receiving the services they needed in a cost-effective manner. At the time of our 2008 audit, the LHINs were relatively new to the field of addiction treatment services and most of them were challenged in effectively assuming the Ministry's responsibilities for overseeing local service providers. Our findings at the time included:

- More than 90% of the population that the Ministry estimated as needing addiction treatment had not been identified as needing treatment or had not actively sought treatment, or the treatment services were not available.
- The majority of the addiction service providers did not, as required, report wait times for some or all of their services. For those that did, there were significant wait times and large variances between service providers. For example, youths seeking help for substance abuse could wait for as little as one day or as long as 210 days, with an average wait time of 26 days, to receive an initial assessment.
- Although one ministry objective was to provide addiction treatment as close as possible to the client's home, over the years from 2004/05 to 2007/08, about 200 youths seeking help for addictions were sent out of country for treatment at an average cost of about $40,000 each.
- Addiction funding was based on historical levels rather than assessed needs. Ministry analysis showed that addiction-related per capita funding across the 14 LHINs ranged from about $3 to more than $40. This could result in clients with similar addiction needs receiving significantly different levels of service, depending on where they lived in Ontario.

- Most of the service providers we visited advised us that, despite increased demand, they were forced to reduce staff numbers and substance-abuse services because funding had not kept pace with inflationary increases.
- We noted wide variations in caseloads and costs among service providers for similar addiction treatments. For example, problem-gambling guidelines for service providers suggested a caseload of 50 to 60 clients per year for the first counsellor and 100 to 120 clients per year for each additional counsellor. However, almost half of the service providers served fewer than 50 clients per year per counsellor, while one service provider served only three clients per counsellor at a cost of $26,000 per client for the year.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

Status of Recommendations

According to information we received from the Ministry of Health and Long-Term Care, some progress has been made in addressing most of our recommendations, with substantial progress having been made on a number of them. The Ministry acknowledges that it will take additional time to address fully several others. The status of action taken on each recommendation at the time of our follow-up was as follows.

MEETING THE NEEDS

The Need for Treatment and the Treatment Gap

Recommendation 1

To effectively meet the needs of people with addictions and to reduce the societal costs of addictions, the Ministry of Health and Long-Term Care should work with the Local Health Integration Networks to:

- *better identify the population needing treatment for addictions; and*
- *develop approaches that will encourage individuals with addictions to seek the necessary treatment services.*

Status

The Ministry informed us that the LHINs were identifying their populations in need and working with their local health-service providers to develop approaches to encourage people with addictions to seek appropriate treatment services. To ensure resources are appropriately deployed based on need, the LHINs are exploring the expanded use of their multi-sectoral service accountability agreements with addiction treatment organizations to further refine performance measures.

The Ministry also indicated that it had taken the following actions:

- The 2008 provincial budget committed $16 million over three years to fund 1,000 housing units under a Supportive Housing for People with Problematic Substance Use transfer-payment program. According to the Ministry, this program is designed to provide rent supplements and support services such as helping people acquire the skills to retain their housing. This initiative is designed to reduce the need for repeat visits to emergency departments and receipt of addiction withdrawal management services.
- Since 2006, the Ministry has provided a total of about $817,000 in funding to support ConnexOntario's "warm-line" services that allow callers with problem-gambling issues to be connected with providers across Ontario via immediate appointment booking. This funding was also used to promote other services such as the "Check Your Gambling" questionnaire and web chat.
- In the 2009/10 fiscal year, the Ministry provided $1.7 million to the Centre for Addiction

and Mental Health to operate its Problem Gambling Project. This project has enhanced the web services available to both service providers and the public to promote knowledge-sharing and best practices.

Wait Times for and Availability of Addiction Treatment Programs

Recommendation 2

To more effectively and consistently meet the needs of people seeking addiction treatment in a timely manner, the Local Health Integration Networks (LHINs) should work with their local health-service providers, as well as neighbouring LHINs, and consult with the Ministry of Health and Long-Term Care, as appropriate, to identify unreasonably long treatment gaps and reduce them by implementing strategies to increase more immediate treatment-service availability.

In the case of youths requiring addiction residential treatment, these strategies should be consistent with the objective of providing treatment as close as possible to the client's home.

Status

The Ministry informed us that it is working with the LHINs on a regular basis to discuss addiction treatment program issues, including wait times and availability. The Ministry noted that it will explore strategies and knowledge-exchange opportunities to improve wait times for addiction treatment services based on best practices and build on the successful strategies used in some agencies.

In October 2008, the Ministry established an advisory group on mental health and addictions to provide advice on:

- a new 10-year strategy for mental health and addictions, focusing on people with complex problematic substance use, problem-gambling issues, and serious mental illness, as well as people with less serious problems; and
- provincial priorities, actions, and expected results.

The Ministry released a strategy progress report in March 2009 as well as a strategy discussion paper in July 2009. Other affected ministries (i.e., Community and Social Services, Children and Youth Services, Training, Colleges and Universities, Education, and Municipal Affairs and Housing) and external organizations are also working to help identify priorities for action in order to further develop the strategy. The Ministry expects its 10-year Mental Health and Addictions Strategy to be released in December 2010.

In the 2009/10 fiscal year, the Ministry provided $4.2 million to the Pine River Institute in the Central West LHIN to support an additional 29 beds for youth with concurrent addiction and mental-health disorders. Earlier, the Ministry provided funding for 20 new beds in the Champlain LHIN and 16 new beds in the Waterloo Wellington LHIN. All these beds are available to youth from across the province.

According to the Ministry, the additional beds have decreased requests for out-of-country treatment for youth with addictions. The Ministry reported a total of 12 youths in the 2009/10 fiscal year, compared to 21 youths in the 2008/09 fiscal year, who received ministry approval for out-of-country substance abuse in-patient treatment.

Addiction Funding

Recommendation 3

To ensure that substance-abuse and problem-gambling funding is based on appropriately established priorities and is equitable across the province, the Ministry of Health and Long-Term Care should work with the Local Health Integration Networks to:

- *ensure that the allocation of funding between substance abuse and problem gambling recognizes the number and types of clients needing treatment;*
- *allocate addiction funding based on specific community client needs rather than on historical funding; and*

- *implement strategies that will address funding inequities across different regions so that clients with similar addiction issues receive similar and appropriate levels of treatment services wherever they live in Ontario.*

Status

The Ministry informed us that it had met with addiction and mental-health agencies to emphasize the need for the collection of consistent and complete clinical diagnostic and financial data sets in order to develop a reliable funding methodology.

The Ministry further advised us that it is continuing to review various ways to improve funding approaches that will ensure a consistent response to the addiction treatment needs of people across the province. Specifically, the Ministry is reviewing funding options with the LHINs designed to:

- provide evidence-based allocation of funding for substance abuse and problem gambling; and
- develop strategies to address funding inequities across different regions so that clients with similar addiction issues receive appropriate treatment service levels wherever they live in Ontario.

Provincial Assessment Tools

Recommendation 4

To ensure that addiction clients are assessed consistently to determine the appropriate type and level of treatment, the Ministry of Health and Long-Term Care and the Local Health Integration Networks should:

- *encourage local health-service providers to obtain appropriate training on the application of substance-abuse assessment tools and criteria; and*
- *determine the appropriateness of the problem-gambling assessment tool currently in use and consider replacing or supplementing it with other more useful tools, if necessary, to address the concerns of the service providers.*

Status

The Ministry informed us that all addiction treatment providers must use its approved suite of eight substance use assessment tools. The Centre for Addiction and Mental Health offers training on these tools, and local providers are encouraged to take the training in order to use the tools and administer admission/discharge criteria appropriately.

As to problem-gambling assessment, the Ministry directed the Ontario Problem Gambling Research Centre (Centre) to examine whether there are any other assessment tools that should be used in clinical settings. The Centre funded three projects to examine alternatives to the widely used South Oaks Gambling Screen for screening/assessment use. After the studies, the Ministry decided to retain the South Oaks Gambling Screen as its problem-gambling-assessment tool.

MONITORING FOR COMPLIANCE

Accountability at the Ministry, LHIN, and Service-Provider Levels

Recommendation 5

To ensure that people with addictions are receiving the services being funded, the Local Health Integration Networks (LHINs) should continue to obtain knowledge of service providers' operations (through operating plans or other means) for the funded services and the related goals and outcomes.

In addition, the Ministry of Health and Long-Term Care (Ministry) and the LHINs should:

- *develop guidelines for conducting reviews of service-provider operations to determine whether funded services are being delivered cost-effectively;*
- *reassess service-provider data-reporting requirements so that the LHINs and the Ministry collect only the necessary information they need to oversee their providers; and*
- *establish processes to ensure that the needed information maintained in various information*

systems is complete and accurate to maximize the benefits offered by these systems.

Status

In February 2009, the Ministry and the LHINs developed draft audit and review guidelines for hospitals that provide mental-health services. According to the Ministry, similar audit and review guidelines are currently under development for community agencies.

Since the fall of 2008, the LHINs have required health-service providers to use the formal Community Annual Planning Submission process to identify the programs and services to be delivered for the funding received. As well, the multi-sectoral service accountability agreements between LHINs and their health-service providers implemented in the 2009/10 fiscal year impose reporting requirements that could lead to financial penalties if the reporting requirements are not met.

To address data quality concerns, the Ministry advised us that it held three education sessions for the community mental-health and addiction sectors during the 2009/10 fiscal year. Future education sessions are planned for the 2010/11 fiscal year. In addition, the Ministry informed us that an advisory committee also reviews all account codes and their definitions for appropriateness and applicability to the sector.

Financial Approvals

Recommendation 6

The Local Health Integration Networks should ensure that:

- *service providers submit budgets before the start of a new fiscal year;*
- *budgets are thoroughly and consistently reviewed and follow-up concerns are documented; and*
- *service providers' budgets are approved on a more timely basis.*

Status

For its 2009/10 budget process, the Ministry required its LHINs to complete a Community Annual Planning Submission, a financial and statistical document used to assess service planning and delivery. Meanwhile, service providers reporting to LHINs were required to submit approved budgets by March 31, 2009, in order to finalize their accountability agreements. LHINs are responsible for reviewing the budgets of LHIN-managed agencies.

Financial Year-End Settlement

Recommendation 7

To ensure prompt and appropriate recovery of surplus funds from services providers, the Ministry of Health and Long-Term Care should:

- *review the settlement packages on a timely basis; and*
- *follow up on ineligible expenditures, such as amortization, for exclusion when determining the final settlement balance.*

In addition, the Local Health Integration Networks should require service providers to submit their settlement packages by the due date.

Status

The Ministry informed us that as of May 31, 2010, it had reviewed 96% of the backlog of settlements up to and including those in the 2006/07 fiscal year. This substantially meets its commitment made at the time of our 2007/08 audit to clear this older backlog by March 31, 2009. As well, the Ministry had completed 89% of the 2007/08 fiscal year settlements, and the remaining 11% was under review at the time of our follow-up.

All settlements with material balances are expected to be completed by August 31, 2010. In addition to working toward the elimination of the settlement backlog, the Ministry also informed us that it had completed 44% of the 2008/09 fiscal year settlement reviews.

Under the multi-sectoral service accountability agreements between the LHINs and their health-service providers, the providers are to meet reporting requirements, such as the submission of settlement packages on a timely basis, and may incur penalties in the case of non-compliance. The Ministry further informed us that it corresponds with service providers regarding their settlement submissions during the review process. The final settlement letter explains all deviations from the original settlements and states whether there are any monies owing.

MEASURING AND REPORTING EFFECTIVENESS

Recommendation 8

To enable the Ministry of Health and Long-Term Care (Ministry) and Local Health Integration Networks (LHINs) to assess the effectiveness of addiction programs, the Ministry should work with the LHINs to:

- *establish acceptable targets for the indicators; and*
- *measure and report on variances between results achieved and established targets, and implement corrective action where needed.*

Status

The Ministry informed us that the multi-sectoral service accountability agreements between the LHINs and their health-service providers established a process for performance reporting and monitoring and allow for regular review of health-service providers. According to the Ministry, one substance abuse indicator was being developed to be included in the next ministry-LHIN accountability agreement.

Problem Gambling

Provincial Strategy and Revenue Accountability

Recommendation 9

To ensure that local problem-gambling-prevention activities are in line with provincial strategic goals, the Ministry of Health and Long-Term Care should ensure that communication occurs between the Local Health Integration Networks and other affected ministries to:

- *co-ordinate local prevention and awareness service-provider activities with the Ministry of Health Promotion's provincial activities; and*
- *assess the effectiveness of local prevention/awareness activities.*

Status

The Ministry informed us that the Ministry of Health Promotion is working with local problem-gambling organizations to ensure consistency of messages and activities. The Ministry also advised us that it will be directing research in the 2011/12 fiscal year to assess the effectiveness of local problem-gambling prevention/awareness activities.

Ontario Problem Gambling Helpline

Recommendation 10

To help more problem gamblers receive appropriate treatments, the Ministry of Health and Long-Term Care should work with ConnexOntario and the Ministry of Health Promotion to increase awareness of where problem-gambling treatment is available.

Status

As an enhancement to ConnexOntario's "Program Gambling Helpline," the Ministry informed us that it is funding an appointment-booking pilot project to facilitate client access to treatment services. ConnexOntario is also offering web chat as an alternative means for the public to access its "Problem Gambling" website. The site's chat function began in June 2009, and at the time of our follow-up the Ministry reported that 71 contacts had been made that resulted in ConnexOntario providing resources/treatment information.

Chapter 4
Section
4.02

Ministry of Community Safety and Correctional Services

Adult Institutional Services

Follow-up on VFM Section 3.02, *2008 Annual Report*

Background

The Adult Institutional Services (AIS) division of the Ministry of Community Safety and Correctional Services (Ministry) operates 31 correctional institutions for incarcerated adults in Ontario, including convicted offenders serving sentences of less than two years and accused persons remanded in custody awaiting bail or trial. (Convicted offenders serving sentences of longer than two years are incarcerated in federal institutions.) In the 2009/10 fiscal year, AIS incurred $612 million in operating expenditures ($575 million in 2007/08), primarily for the cost of almost 5,600 staff (5,500 in 2007/08), to incarcerate about 8,800 inmates (8,800 in 2007/08).

At the time of our 2008 audit, we noted that over the previous decade AIS had needed to respond to an 11% increase in the total number of inmates. Perhaps more significantly, the number of inmates remanded in custody and requiring maximum security had doubled, and now represented almost 70% of all inmates. This is one reason that, although AIS had invested more than $400 million in capital infrastructure renewal over the previous decade, it had been unable to meet its commitment to significantly reduce the average cost of incarcerating inmates.

Some of our more significant observations from our *2008 Annual Report* included the following:

- The Ministry had set a target to have one of the lowest operating costs for correctional institutions in Canada, but Ontario still ranked highest when compared to the other five largest provinces.
- The Ministry's transformation strategy, launched in 2004/05 with plans to eliminate 2,000 beds by 2007/08 and save $60 million annually, had not produced the anticipated results. AIS had almost 1,000 more inmates than when the strategy was introduced, and Ontario's correctional institutions were operating at 100% capacity. They were overcrowded and at increased risk for inmate disturbances, labour-relations issues, and health-and-safety problems for staff and inmates. The Ministry predicted at that time that it might be short 2,000 beds by 2010/11.
- The Ministry's intent since 2003 had been for up to 1,300 offenders to serve their sentences in the community using electronic devices to monitor their whereabouts. However, fewer than one-third that number actually served their sentences in this way.
- The Ministry had made progress in establishing programs to divert people with mental disorders from the criminal justice system and

correctional facilities. However, it did not have sufficient information on inmates' mental-health status and did not know whether it was providing adequate and appropriate treatment and care for inmates with mental illness and special needs.

- AIS had neither adequate information nor rigorous detection practices, such as random drug testing, to determine the extent and impact of the use of alcohol and illicit drugs in its facilities.
- AIS continued to have a serious problem with absenteeism among correctional officers, including the abuse of sick leave and overtime provisions. Based on an eight-hour day, correctional officers took an average of 32.5 sick days per year, which cost AIS about $20 million annually in replacement and overtime costs. With overtime, some correctional officers made over $140,000 a year—more than double their annual base salary.

The Ministry was taking a lead role in an interprovincial and territorial task force to study the changing characteristics of the adult inmate population and to identify opportunities to improve co-operation in the delivery of correctional services in Canada. We believed this was a good initiative that could help to address some of the above issues.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns. In addition, the Standing Committee on Public Accounts held a hearing on this audit in March 2009.

Status of Recommendations

Although the Ministry had taken some action on all of the recommendations we made in 2008, many recommendations—such as those addressing institutional operating costs, participation in community-based programs, correctional officer absenteeism, and performance monitoring and measurement—may take several more years to fully address. The status of actions taken on each of our recommendations is as follows.

CHANGES IN INMATE POPULATION

Recommendation 1

In light of the changes that have occurred over the last decade in the type and number of offenders incarcerated in Ontario correctional institutions, the Ministry of Community Safety and Correctional Services should review the impact these changes have had on the traditional delivery of correctional programs, and review its mandate and existing operations to determine whether changes are needed in correctional program delivery and in the roles and responsibilities of the provincial and federal governments. Ontario's involvement in a national study on the changing characteristics of the adult corrections population is a good first step in this regard.

Status

The Ministry informed us that the analysis of the national study by the federal/provincial/territorial ministers responsible for Justice on the changing characteristics of corrections was still ongoing at the time of our follow-up. This study was expected to provide recommendations on how best to align the structures of both prisons and community corrections to optimize inter-jurisdictional infrastructure planning, program efficiency, cost efficiency, and public safety, and how to address the issue of growth in the remand population in the provincial/territorial systems.

We were informed that the Ministry's Offender Programs Unit had completed a comprehensive review to identify programming needs specifically for remanded offenders and evaluate the effectiveness of existing programs in meeting those needs, and had subsequently developed strategies to address additional needs identified.

MANAGEMENT OF INSTITUTIONS

Operating Costs and the Former Adult Infrastructure Renewal Project

Recommendation 2

In order to ensure that Ontario correctional institutions operate economically and efficiently, the Ministry of Community Safety and Correctional Services should:

- *research correctional services in other provinces and identify economical and efficient practices, such as less costly staffing models;*
- *conduct a study of operating costs in Ontario correctional facilities to identify opportunities for reducing costs, including where intended savings from recent infrastructure investments were not achieved; and*
- *use this information to set realistic operating-cost targets for each institution and the correctional system as a whole, with a goal of achieving overall costs that compare more favourably to those of other provinces.*

Status

In our 2008 audit, we noted that for the 2005/06 fiscal year (the latest period for which comparison costs were then available), Ontario's operating costs ranked highest when compared to costs in five other large provinces—even when we compared other provinces' costs to Ontario's operating costs for only the 13 institutions that had been recently built or retrofitted (which were originally expected to operate more cost-effectively than older institutions).

The Ministry indicated that it had conducted an informal survey of jurisdictions across Canada in 2009 to identify recent cost-saving initiatives. The Ministry noted that other jurisdictions are facing similar cost pressures, particularly with regard to staffing, and we were informed that no best practices for responding to these pressures in Ontario had been identified from the information obtained.

According to information received from the Ministry, the average per diem operating cost in Ontario for the 2009/10 fiscal year was $163 per inmate—an 8% increase from the average of $151 per inmate for the 2005/06 fiscal year that we reported in our 2008 audit. Operating costs for Ontario's eight recently built or retrofitted institutions also rose 10% over the same period.

The Ministry informed us that cost-saving initiatives had been collected from each institution, and were being reviewed to determine the feasibility of their implementation in other institutions. At the time of our follow-up, the Ministry had yet to decide which cost-saving initiatives were feasible and when they could be implemented. Additionally, in April 2009 AIS started preparing a monthly report on the actual number of staff at each institution and support offices and comparing these numbers with approved staff levels. We were advised that this information is used to identify potential staff overages, along with the security needs of each institution. We noted from these reports that as of June 30, 2010, AIS reported an overage of 225 staff, which we estimate would cost AIS over $15 million annually.

Institutional Capacity

Recommendation 3

In order to ensure that the Ministry of Community Safety and Correctional Services can meet its legislative requirements for cost-effectively and safely incarcerating the current and projected number of offenders, the Ministry should:

- *establish plans for forecasting short- and long-term demands for correctional institutions, with appropriate involvement from justice-sector stakeholders; and*
- *develop and implement effective strategies to meet expected demand both by freeing up bed capacity through alternative diversion measures—such as appropriate programs for the mentally ill, and community supervision and work programs—and, where necessary, by providing sufficient beds, including seeking*

appropriate approvals for a capital construction program to address expected shortfalls.

Status

To help address lack of capacity in the short term, the Ministry informed us that it saw an increase of 203 beds in March 2009, when the Ministry of Children and Youth Services returned dedicated beds within adult institutions. In addition, the Ministry was in the process of constructing two new detention centres, to be completed in 2012. These facilities will replace two existing facilities: the Toronto and Windsor jails. We were informed that the new facilities will provide approximately 2,000 new beds, replacing 675 old beds at the existing jails for a net increase of 1,325 beds.

In the 2009/10 fiscal year, the Ministry began planning for a new 600-bed female remand facility to address female-offender capacity pressures throughout the province. At the time of our follow-up, no completion date had been set for this project.

For the longer term, the Ministry undertook an internal study to determine current bed utilization and future adult correctional capacity needs up to 2022. The scope of this study included the development of an adult institution count projection model; a preliminary assessment of the Ministry's current infrastructure; an examination of the Ministry's decommissioned infrastructure for future suitability; a costing analysis for both operating and capital expenditures; and an analysis of how future legislation will affect adult incarcerations. The study resulted in 35 recommendations for implementation over the next 15 years to address capacity needs. We were informed that the Ministry had prioritized the issues identified in the study to determine future capital construction projects, including capital work that needs to be done to extend the life of facilities nearing the end of their expected life cycle.

The Ministry informed us of federal legislative changes that are expected to have an impact on capacity in correctional institutions. Bill C-25, the *Truth in Sentencing Act*, which was proclaimed in February 2010, amended the *Criminal Code* to limit the extent to which a court may take into account time served in custody by remanded inmates before sentencing. The Ministry stated that the full impact of this new legislation will not be known until all remand warrants that were issued prior to proclamation have been dealt with.

Community Programs

Recommendation 4

In order to achieve operational efficiencies and cost savings for managing its correctional institutions, the Ministry of Community Safety and Correctional Services should re-evaluate its community-based programs for their design and support by stakeholders to identify more effective means of achieving desired offender-participation rates.

Status

In our 2008 audit, we reported that the number of temporary absences granted to inmates had decreased by more than 90% over the previous 10 years, and that targets set in 2003 for the Ministry's Electronic Supervision Program (ESP)—which includes participants in the Temporary Absence Program (TAP) and the Intermittent Community Work Program (ICWP), along with those authorized by the Ontario Parole Board—of having 1,000 to 1,300 offenders at any time serving their sentences in the community while being electronically monitored had not been achieved.

Subsequent to our 2008 audit, the Ministry conducted a comprehensive review of the ESP. The program delivery model was redesigned, with greater emphasis on monitoring the performance of contracted service providers against such key performance indicators as more effective monitoring of all offenders on ESP and ensuring immediate notifications to the Ministry of all curfew violations. An ESP Governance Committee was also established to provide oversight and direction for the effective management of the ESP. In addition, the Ministry informed us that it has been able to reduce expenditures for the ESP by $1.2 million annually.

We were also advised that for the TAP, the Ministry had worked in collaboration with the Ontario Parole Board to expand the program's availability to more inmates, and that by the end of 2010 the Ministry expected that the ICWP would be available in 15 out of the 25 institutions that hold offenders serving intermittent sentences, an increase of five over the last two years.

However, these initiatives have not yet had a substantial impact. For instance, our 2008 audit reported that as of August 2008 only 327 offenders were participating in the ESP, and for the 2009/10 fiscal year the program averaged only 337 participants.

Institutional Security

Recommendation 5

In order to ensure that Ontario's correctional facilities are managed safely and cost-effectively, the Ministry of Community Safety and Correctional Services should:

- *track and report on incidents of inmate-on-inmate assaults and use this information to identify best practices at better-performing institutions that can be shared with other institutions;*
- *investigate the reasons for non-compliance with security policies and procedures in institutions and determine what further action is needed to address institutions that have recurring non-compliance issues; and*
- *conduct a formal analysis of the different inmate-supervision models with respect to financial, operational, health and safety, security, and other considerations, and use this information to support its decisions on the appropriate type or types of supervision models to be used in existing and any new institutions in Ontario.*

Status

The Ministry informed us that it has not modified its information systems to specifically track inmate-on-inmate assaults. However, we were advised that inmate-on-inmate assaults are recorded in occurrence reports; offender incident reports; and accident, injury, and death reports; and statistics on inmate-on-inmate assaults are now included in a weekly report to the deputy minister that has been in place since April 2009. For the 2009 calendar year, the Ministry reported 2,510 inmate-on-inmate assaults (the annual number of such assaults was unknown at the time of our 2008 audit).

The Ministry also informed us that it was in the process of completing a comprehensive review to standardize the process of identifying trends and best practices across the province regarding inmate-on-inmate assaults. The review was expected to be completed in September 2010. The Ministry had identified three institutions with reduced numbers of inmate-on-inmate assaults and had summarized potential best practices at these institutions.

The Ministry advised us that the annual peer review of each institution's compliance with security policies and procedures had been completed for all 31 correctional facilities in 2009. The Ministry's internal auditors were involved to provide an overview of the results and identify systemic issues during the current and previous years' reviews. In their February 2010 report, the internal auditors noted that more work was required to improve on the results from the prior year's review and that most of the issues had been ongoing for several years. In order for compliance to be achieved, the internal auditors indicated that further scrutiny, monitoring, and comparison of action plans from year to year needed to be completed by the regions. The Ministry informed us that organization-wide assessments of the annual security policies and procedures compliance review had since also been initiated.

The Ministry completed a literature review of the direct-supervision model in June 2009, including comparisons to other correctional models (such as linear and podular supervision). The

Ministry informed us that the financial savings and other benefits of each alternative are being taken into consideration to determine the appropriate supervision model to be used in new institutions in Ontario, and that a decision will be made one year before the 2012 openings of the two newly constructed detention centres.

Meals

Recommendation 6

In order to achieve cost savings relating to inmate meal costs, the Ministry of Community Safety and Correctional Services should:

- *perform a cost-benefit analysis of the current outsourcing of its "cook-chill" food-preparation facility and ensure that appropriate competitive tendering procedures are taken when the current contract expires in March 2009; and*
- *investigate why an excessive number of meals are being served at certain institutions and take corrective action.*

Status

We were informed that the Ministry had engaged an external consultant to conduct an operational and financial review of the cook-chill program, which subsequently found that the program was viable and identified cost/benefit strategies in such areas as menu design, production efficiencies, and program expansion.

In August 2009, a public request for proposals was issued for an operator of the cook-chill food production centre. The Ministry engaged the same external consultant to provide oversight on the procurement process. The Ministry informed us that the current service provider was the only vendor to submit a proposal by the October 2009 deadline. In January 2010, the Ministry awarded a new contract to the vendor for a seven-year period with two additional one-year options. The new contract includes changes to the previous arrangements to improve working relationships with the service provider and to achieve specific goals and priorities for the program.

The Ministry formed a Provincial Food Services Committee (PFSC) in June 2009 to review and investigate the issue of excessive numbers of meals being served at institutions and to identify cost-saving measures for food service overall. The PFSC issued a report in October 2009 that confirmed our 2008 observation that excessive meals were being served at certain institutions and made 10 recommendations for corrective action, including identifying institutions that report a large variance between numbers of meals and inmates and the need to track and pre-approve "duty meals" for staff who are entitled to them. The Ministry has directed the various regions to implement these corrective actions for the 2010/11 fiscal year, with a goal of reducing the variance to an acceptable rate for each institution.

MANAGEMENT OF INMATES

Correctional Programming

Recommendation 7

In order to ensure that correctional rehabilitation programs are delivered consistently, are of sufficient quality, and are effective, the Ministry of Community Safety and Correctional Services should:

- *gather the necessary information on all its programs offered to inmates to allow for institutional and province-wide assessment of their availability, participation rates, quality, and level of success in achieving their intended outcomes; and*
- *research programs offered in other jurisdictions as a cost-effective means of identifying programming best practices given the trend to shorter sentences and the large proportion of the inmate population remanded in custody while awaiting bail or trial.*

Status

As noted in an earlier section, we were informed that the Ministry's Offender Programs Unit conducted a review of the rehabilitation programs currently being offered to inmates and subsequently developed a strategic plan for 2009–2013 to ensure that programming is appropriate to meet the needs of both sentenced and remanded inmates. The strategic plan also included a detailed gap analysis of the relevant issues that continue to affect the implementation of core programming at institutions. A menu of rehabilitative programs was developed that includes more options for remanded inmates, such as providing education and life skills, and programs for anger management and substance abuse. A template was developed to assist each institution in strategically planning what programming it will offer based on the demographics of its inmate population.

Although an Offender Program Tracking Module—an enhancement that enables the recording and tracking of program offerings and inmates' participation in programs—was added to the Ministry's Offender Tracking Information System at the time of our 2008 audit, the Ministry informed us that many institutions had not yet used the module. Consequently, at the time of our follow-up, there was still incomplete information on program availability and utilization rates. The Ministry made improvements to the module in January 2010 and its use has been made mandatory to allow effective tracking of programs. The Ministry initiated quarterly reports on the quantity and type of programming available in 2010. However, the information was still not complete, because some institutions were still not reporting. The Ministry also informed us that its internal accreditation process and policy would be revised in 2010 and 2011 to reflect the change in focus to remanded offenders, providing life skills and orientation-level programs rather than the intensive programs for which the accreditation process was originally designed.

The Ministry expected a full program inventory to be completed in the fall of 2010, with information on program availability, participation rates, and program coverage. It planned to use the program inventory data, program evaluation results, and recidivism data to assess the quality of the programs and their level of success in achieving intended outcomes.

The Ministry conducted a jurisdictional scan of the programming provided to both remanded and sentenced inmates across all Canadian jurisdictions and found that Ontario's current approach to programming is consistent with that in other jurisdictions.

Inmates with Mental Illness and Special Needs

Recommendation 8

In order to ensure that inmates with mental illness and/or special needs who are not being treated elsewhere are provided with the appropriate levels of support and treatment, the Ministry of Community Safety and Correctional Services should:

- *identify the necessary processes and resources to allow for proper assessments and identification of inmates' mental-health status and special needs;*
- *identify the need for specialized treatment units in each institution and province-wide to accommodate the estimated number of inmates requiring such treatment, and determine the short- and long-term options for meeting these needs; and*
- *monitor and report on the identified needs of inmates with mental illness and/or special needs and the extent that AIS's facilities and programs for this group meet their needs.*

Status

We were informed that the Ministry's admission procedures were reviewed and updated in October 2009 to help better identify inmates with mental-health issues and special needs on admission to correctional facilities. The Ministry has on-site clinics for conducting court-ordered mental-health assessments at six institutions. The Ministry also received funding for a pilot project in April 2010 for the use of video technology at five correctional facilities to improve the quality and timeliness of assessments for accused persons with possible mental-health issues. This technology reduces delays and cuts costs (because clinicians and inmates do not need to travel for assessments). The Ministry informed us that it was also in the process of reviewing the available screening tools for mental illness, with a view to better assisting institutions in identifying inmates who are experiencing symptoms associated with mental illness, and then referring them for a full assessment. The Ministry expected that a tool would be selected and developed for implementation in the 2010/11 fiscal year.

We were informed that a multidisciplinary review had begun to identify methods that could help define special needs more clearly. By differentiating inmates with mental-health issues from the general special-needs population, the Ministry hopes to gather statistics to support the creation of new treatment units. We were told that as part of the review, the Ministry had developed a cross-jurisdictional survey for distribution in late 2010 to review practices in working with inmates with special needs, particularly with regard to screening, accommodation, required staff resources, and training.

To meet the programming needs of inmates with mental illness, we were informed that the Ministry's Offender Programs Unit was in the process of developing a new life skills program that is short enough to fit well within the average length of stay for both remanded and sentenced inmates. The Ministry anticipated that this program would be ready for piloting in 2010/11.

The Ministry informed us that it was continuing to work co-operatively with other ministries to co-ordinate services and to plan more effectively for people who are in conflict with the law. For example, the Ministry said that it is working with the Ministry of Health and Long-Term Care to address the shortage of mental-health case workers at correctional facilities. More broadly, the Ministry has been involved in a cross-jurisdictional working group to act as an advisory body to corrections heads across Canada in developing and implementing a national corrections mental-health strategy.

In September 2009, four corrections staff attended a mental-health train-the-trainer program provided by Correctional Services Canada. We were informed that material from this course will be incorporated into basic training for correctional officers and will be further developed into a training program for existing staff.

Earned Remission

Recommendation 9

To ensure that the Ministry of Community Safety and Correctional Services complies with legislated requirements for granting earned remission to inmates, it should either:

- *establish processes at all institutions to assess inmates' conduct and participation in work and rehabilitation programs in order to determine whether inmates are entitled to reduced sentences; or*
- *request and obtain amendments to the* Ministry of Correctional Services Act *with respect to the requirements for earning remission and update the Ministry's website to reflect current practices.*

Status

The Ministry informed us that it had undertaken measures to clarify its position on earned remission. Although no changes were made to the Ministry's practices, the Ministry obtained legal opinions and has revised its website to reflect its actual practice of inmates earning remission by default if they abide by institutional rules and by the conditions governing any temporary absences. In addition, the reference to the anticipated earned remission mandate was removed in 2009 from the Ontario Parole and Earned Release Board's legislated responsibilities under the *Ministry of Correctional Services Act*, because the regulations under which the Board would have been required to implement this responsibility had never been established. The

Board's name was also changed to the Ontario Parole Board.

Detection of and Reporting on Alcohol and Illicit Drug Use in Correctional Facilities

Recommendation 10

In order to detect and report more effectively on the use of alcohol and illicit drugs in Ontario's correctional institutions and reduce the detrimental impact it has on institutional safety, inmate health, and rehabilitation programs, the Ministry of Community Safety and Correctional Services should:

- *improve its information systems to capture and report better on the details and trends of such incidents that are detected in its institutions; and*
- *implement more rigorous detection practices, such as random testing of inmates, as is done in certain other Canadian jurisdictions, to detect and deter alcohol and illicit drug use.*

Status

The Ministry informed us that changes were implemented to the Offender Tracking Information System in April 2010 to allow institutional staff to collect better data on offender drug and alcohol incidents within the system. As a result of these improvements, the Ministry can now review the number of incidents relating to specific contraband items (such as drugs or alcohol) over a specific time frame. The Ministry has directed staff to ensure that this type of data is being entered consistently, with specific detailed information in each incident report. In addition, the weekly report to the Deputy Minister that has been in place since April 2009 includes information and statistics on a variety of incidents and issues, including those involving contraband drugs.

In May 2009, the Ministry conducted a jurisdictional scan of other provinces regarding their correctional institutions' practices for drug and alcohol detection, testing, and contraband prevention. Although it noted that some jurisdictions require random alcohol and drug testing of inmates, the Ministry told us that it believes that the health, safety, and security issues related to alcohol and illicit drugs are best managed proactively through the prevention and detection of contraband. As a result, the Ministry was not prepared at this time to request regulations to authorize random testing in Ontario. The Ministry does use all the other detection methods noted by its research, including periodic searches by drug-detecting dogs, video surveillance, and searching of inmates.

The Ministry reports that it has increased the use of its alcohol and illicit drug detection techniques since our audit, and has upgraded its closed-circuit cameras and changed procedures regarding inmate exercise-yard security and inmate clothing exchanges. An x-ray machine has been installed at one institution to scan incoming personal clothing, and an ion scanner pilot program is to be implemented in one jail in the near future. The Ministry has established a security committee and has appointed a co-ordinator to review and oversee the implementation of recommendations to improve security, including periodic unannounced searches of staff personal belongings and lockers.

In addition, in April 2010 the Ministry directed senior institutional management to ensure that every institution is searched using drug-detecting dogs at least once a month.

MANAGEMENT OF STAFF

Correctional Officer Absenteeism and Overtime Payments

Recommendation 11

In order to ensure that correctional institutions are appropriately staffed and chronic or culpable absenteeism is properly dealt with, the Ministry of Community Safety and Correctional Services should:

- *re-evaluate its Attendance Support Program to ensure that it can properly identify and deal with employees who abuse sick leave benefits;*

- *investigate the reasons for large overtime payments program-wide and to individual employees and implement corrective measures to reduce overtime costs;*
- *investigate the reasons other jurisdictions have lower absenteeism, including the possible effect of 12-hour shifts; and*
- *set targets for reducing absenteeism to acceptable levels and implement effective measures for achieving these targets.*

Status

In our *2008 Annual Report*, we noted that AIS continued to have a serious problem with the absenteeism of correctional officers, including the abuse of sick leave and overtime provisions. For the 2007 calendar year, correctional officers (most of whom work 12-hour shifts) took on average the equivalent of 32.5 sick days based on an eight-hour day. High absenteeism resulted in AIS incurring about $20 million in additional costs for replacement workers and overtime payments during the 2007/08 fiscal year. Subsequent to our audit, according to the Ministry's records, average sick days (based on the same eight-hour day) increased slightly to 33.2 days for the 2008 calendar year.

The Ministry informed us that on March 13, 2009, the Ontario government ratified the 2009–2012 collective agreement with the Correctional Bargaining Unit. To address staff absenteeism, several changes arising from this collective agreement, along with other initiatives, have since been implemented:

- Effective August 2009, a new Attendance Support and Management Pilot Project was implemented to replace the former Attendance Support Program. Under the new program, managing attendance is more accelerated, with the threshold for being placed in the program lowered from 11.5 days absent to seven days in a 12-month period.
- Reduced absenteeism targets were introduced for correctional officers, who can earn incentive pay by meeting the targets as a group. If classified correctional officers as a group achieve average sick times that are less than or equal to the target hours set each year, they are all entitled to receive a lump sum bonus payment ranging from 2% to 5% of straight-time earnings for the period, depending on the targets achieved. The target sick-time hours decrease each year until the collective agreement expires in 2012.
- Employees are no longer allowed to bank overtime hours in lieu of overtime payment.
- Changes were implemented to help address absenteeism patterns related to statutory holidays.
- New overtime provisions restrict the ability of correctional officers to work overtime for premium pay. An employee who is sick during a four-week period will not receive overtime premium pay until his or her extra hours of work exceed the number of sick-time hours taken in that period.

The Ministry informed us that the average number of sick days for the nine-month period ended December 31, 2009 (following the ratification of the collective agreement), had decreased to 25.4 days on an annualized pro-rated basis based on an eight-hour shift. As a result of the decrease and the correctional officers meeting the absenteeism target for the first nine months of the collective agreement, the Ministry paid a 2% lump sum bonus to each classified correctional officer (totalling $2.2 million). The Ministry noted that the decreased absenteeism had saved $3.6 million in costs (for replacement workers and overtime payments), for a net saving of $1.4 million over the nine-month period. For 2010, correctional officers must reduce absenteeism to no more than 22 days per year to receive an incentive bonus.

While progress is clearly being made, absenteeism at many of the 31 institutions remains high, and about one-third of correctional officers average over 25 sick days per year. The Ministry has continued to incur significant staff shortages resulting in restricted inmate movement and the cancellation of work and rehabilitation programs owing to safety concerns. We were advised that in the 2009 calendar year, staff shortages resulted in 258 lockdowns at institutions for either partial or full days (235 in 2007), and in program-only cancellations on a further 84 days (62 days in 2007).

In 2008, the Ministry also contacted several Canadian jurisdictions in relation to correctional officer absenteeism and shift schedules. Responses were received from four provinces and one territory, but the Ministry indicated that they contained no best practices that could be implemented in Ontario.

Correctional Officer Training

Recommendation 12

In order to ensure that mandatory training for correctional officers is completed as required in all institutions, the Ministry of Community Safety and Correctional Services should:

- *more proactively monitor the extent to which training requirements have not been met at its institutions; and*
- *determine and address the primary causes of missed training.*

Status

In December 2008, the Ministry directed its institutional staff to begin using the learning management system that had been in place at the Ontario Correctional Services College, in order to maintain accurate information on the status of each correctional officer's training (that is, requirements met, requirements outstanding, and reasons for non-completion). However, a subsequent Ministry review found that only two facilities had 100% of their correctional officers entered on the system, and although many of the institutions were approaching full compliance, some had less than 50% of their correctional officers registered. A follow-up memorandum was issued in March 2010 directing institutions to complete the training records for all correctional officers.

We were informed that the Ministry collected and analyzed information from institutional staff such as percentage of training completed and reasons for missed training. The initial analysis in May 2010 indicated that the reasons for missed training include staff and instructor reassignments; illness; emergencies; budget constraints; and the large mandatory training curriculum. The Ministry intended to develop strategies for addressing these causes of missed training by spring 2011.

Performance Monitoring and Measurement

Recommendation 13

The Ministry of Community Safety and Correctional Services should develop and implement performance measures to assess the effectiveness of its rehabilitation efforts, such as recidivism rates.

Status

We were informed that the Ministry had made changes in January 2010 to its Offender Program Tracking Module, which records availability and participation for both institutional and community-based correctional programs and services. Recording of programs and participation was made mandatory, with the intention of allowing for performance-measure analyses and reporting. The Ministry also advised us that it is revising its tracking process to allow more reporting and analysis of offender recidivism that accounts for differences in time spent by offenders in remand, and in sentences to incarceration and community supervision. The Ministry's gathering of information on recidivism among offenders who have participated in institutional or community programs will need time for data to populate the Offender Program Tracking Module, so the Ministry does not expect to have sufficient data to begin reporting on recidivism rates for the 2008/09 fiscal year until at least the 2011/12 fiscal year. The Ministry is also planning to ensure its definition and strategy to track recidivism is in line with those of other Canadian jurisdictions.

Chapter 4
Section
4.03

Brampton Civic Hospital Public-private Partnership Project

Follow-up on VFM Section 3.03, *2008 Annual Report*

Background

In 2001, the then Minister of Finance announced that public–private partnerships (P3s) would have to be considered when funding new hospitals. In 2003, William Osler Health Centre (WOHC)—now known as William Osler Health System—reached an agreement with a private-sector consortium for the development of a new 608-bed hospital in Brampton using the P3 approach, one of the first Ontario hospitals to do so. (In Ontario, this alternative to traditional procurement is now known as Alternative Financing and Procurement—AFP.) Under this arrangement, the consortium would design, construct, and finance the new hospital as well as provide certain non-clinical services. In return, WOHC agreed to pay the consortium a monthly payment over the 25-year service period of the arrangement.

The government of the day directed WOHC to follow the P3 approach before any formal comparison between it and the traditional design-build-operate approach was done. We concluded that the assessment that was done had not been based on a full analysis of all relevant factors and was done too late to allow any significant changes or improvements to be made to the procurement process.

Over the approximately three-year construction period from 2004 to 2007, the total capital cost of the hospital came to $614 million, comprising $467 million in design and construction costs for the hospital, which was built on a reduced scale; $63 million primarily for facility modifications (mainly to accommodate equipment installation); and $84 million in financing costs.

We identified a number of issues in our *2008 Annual Report* that indicated that the all-in cost could well have been lower had the hospital and the related non-clinical services been procured under the traditional procurement approach. Our findings at that time included the following:

- A consulting firm engaged by WOHC estimated in September 2000 that the cost for the government to design and build a new hospital would be approximately $357 million (updated to $381 million in October 2001). A second consulting firm was engaged in January 2003 and estimated a cost of $507 million (updated in November 2004 to $525 million). WOHC did not question the large difference in the two estimates.

- The cost estimates for the government to construct the new hospital and to provide the non-clinical services the traditional way over 25 years were significantly overstated, in that depreciation was inappropriately included as a non-clinical service cost, as were utilities and property insurance—which WOHC would be responsible for regardless of who provided the non-clinical services.
- WOHC added to the estimates for the government to design and build a new hospital an estimated $67 million, or 13% of the estimated total design and construction cost, as potential savings because the risk of cost overruns had been transferred to the private sector. We questioned the inclusion of such a large amount because a properly structured contract and sound project management under a traditional procurement agreement could have mitigated many of the risks of cost overruns.
- The province's cost of borrowing at the time the agreement was executed was cheaper than the weighted average cost of capital charged by the private-sector consortium—yet the impact of these savings was not included in the comparison costs between the traditional procurement and the P3 approach.

As with any new process, we recognized that there were inevitably lessons to be learned. In responding to our recommendations for future P3 projects, Infrastructure Ontario—the Crown agency established in November 2005 to manage many large government infrastructure projects—and its ministry partners indicated that most of the issues we raised were being handled differently from the WOHC P3 process to better ensure the cost-effectiveness of current projects.

The Standing Committee on Public Accounts held a hearing on this audit in March 2009.

Status of Recommendations

The Brampton Civic Hospital project was started before the creation of Infrastructure Ontario, and management of the P3 project was handled by WOHC. In response to our initial observations and recommendations, Infrastructure Ontario indicated that a number of the recommendations were already being addressed by processes it had put in place. Our follow-up focused mainly on changes that have occurred since the initial response in 2008. According to the information we received, Infrastructure Ontario and the Ministry of Infrastructure (known as the Ministry of Energy and Infrastructure prior to August 2010) have substantially implemented many of the recommendations in our *2008 Annual Report* that, if followed, would help to ensure the cost-effectiveness of current and future AFP projects. The status of the action taken on each of our recommendations at the time of our follow-up was as follows.

RECOMMENDATIONS FOR FUTURE P3 (AFP) INFRASTRUCTURE DEVELOPMENT PROJECTS

Decision to Adopt P3 (AFP)

Recommendation 1

The costs and benefits of all feasible procurement alternatives should be evaluated. Consideration should be given to expanding the involvement and expertise of Infrastructure Ontario to all infrastructure projects.

Status

Infrastructure Ontario indicated to us that the Ministry of Infrastructure recommends investment in particular projects through the government's annual budget planning process. The Ministry of Infrastructure provides ministries that are proposing capital projects with a technical guide that outlines early project assessment criteria against which potential projects must be evaluated for AFP suitability. These criteria are used to make recommendations to Treasury Board of Cabinet on whether further work should be undertaken to assess a project's suitability as an AFP project.

Infrastructure Ontario conducts three value-for-money (VFM) assessments at different stages on every project that is assigned to it. These assessments compare the costs and benefits of a traditional procurement approach with an AFP approach in each assigned project. The first assessment takes place before the request for proposals (RFP) is released. According to Infrastructure Ontario, some projects that were identified as candidates for AFP have been reassigned to traditional procurement once this VFM assessment has been completed.

Recommendation 2

Before a decision is made to enter into an AFP arrangement, a comprehensive market assessment should be carried out.

Status

According to Infrastructure Ontario, a market assessment is routinely conducted before it proceeds with any project procurement. Infrastructure Ontario's staging plan is reviewed in light of the market assessment to take into account the market capacity of contractors, lenders, investors, skilled labour, and maintenance services.

For projects involving markets with which it has had limited experience, Infrastructure Ontario typically hires an external consultant to conduct a market assessment and to build Infrastructure Ontario's expertise to assess such projects effectively. Once this formal market assessment has been done, market assessments for similar projects are conducted internally.

Infrastructure Ontario indicated that evaluators' guidelines used in its request-for-qualifications process recognize bidders' AFP or other relevant experience, including experience outside Ontario and abroad, as fully weighted qualifications. This has allowed medium-sized firms, as well as international firms in joint ventures with local firms, to qualify to compete for and be awarded Infrastructure Ontario projects.

Value-for-money Assessment

Recommendation 3

Value-for-money assessments should have relevant and clear criteria, and should be conducted at the earliest stage of the procurement process.

Recommendation 4

Comparing costs under the traditional approach and the AFP approach should be an objective process to reduce the risk of any bias in comparison.

Status

VFM assessments are conducted at three stages during the procurement process: before release of the RFP, before awarding the contract, and after financial close. Infrastructure Ontario's VFM methodology calculates and compares the total discounted cost under traditional and AFP approaches. The calculation is intended to include all tangible costs as well as the value of potential risks of each approach. In this regard, Infrastructure Ontario recently undertook a review of its database of received bids and concluded that the risk premium added is a reasonable estimate. The overall criterion for the VFM assessment is the total discounted cost, and the approach that produces the lower total discounted cost is the one recommended.

Infrastructure Ontario indicated to us that, to ensure objectivity, the VFM methodology uses actual cost information from the bidders, and that published VFM reports are based on the actual total discounted cost of the project as of financial close. For each identified risk, after the probability and impact of occurrence are assessed, the cost of the risk is quantified using a computer simulation and the results are included in the overall cost of both the traditional and AFP approaches. Infrastructure Ontario indicated that it will continue to update its database on the risk premium used as each additional project is closed.

All anticipated costs and risks used in the VFM assessments are documented and reviewed by third-party advisers. Infrastructure Ontario also indicated that the Ministry of Finance Internal Audit Division had reviewed the VFM methodology and found it to be sound.

In early 2010, Infrastructure Ontario contacted other Canadian jurisdictions to review their methodologies for calculating VFM. These efforts allowed Infrastructure Ontario to validate its VFM methodology and procurement decision processes.

Recommendation 5

Appropriate and timely action should be taken on issues raised during the due-diligence process.

Status

Infrastructure Ontario indicated that it has established a process and project governance structure that manages and monitors key project approvals and related decision-making. It includes procedures to review, document, and follow up on lessons learned from project to project. In addition, management monitors project-related issues through various working groups and project reporting to ensure their timely resolution.

Recommendation 6

To ensure that all options are adequately considered, the decision to build and the decision to finance should be evaluated separately.

Status

The Ministry of Infrastructure evaluates individual projects against policy priorities, and investment decisions are made independently of decisions on procurement alternatives. Infrastructure Ontario has developed and published a standard VFM methodology that considers financing costs under both models—AFP and traditional procurement. The procurement decision is supported by the VFM assessment as performed by Infrastructure Ontario.

Recommendation 7

In assigning transferable risks, all relevant factors, including those that mitigate the risks, should be considered. As well, actual experience from previous AFPs should be applied wherever possible. The transfer of risk should be supported by the terms of the project agreement.

Status

Infrastructure Ontario indicated that it uses a risk allocation matrix based on empirical data to assign and quantify the risks retained under AFP and traditional procurement. The risks identified for a particular project are consistent with the risks identified for other similar projects. Risks would vary in probability of occurrence and impact depending on the nature of the project and the extent of Infrastructure Ontario's prior experience with such projects.

Infrastructure Ontario's project agreements are standardized so that the risk-transferring provisions are consistent among the various projects. Infrastructure Ontario indicated that where lessons were learned on earlier projects, agreements subsequent to those were revised to reflect this.

Recommendation 8

All significant costs of AFP should be assessed in the decision-making process.

Status

As part of the VFM assessment of procurement alternatives, Infrastructure Ontario includes the total costs of AFP, including transaction costs, financing costs, and contingencies. These costs are based on actual information contained in the bids received. The specific costs taken into account in the assessments include private-sector financing, private-sector contingencies, bid costs, and advisory fees. In addition, VFM assessments incorporate other project-specific costs not charged by the bidder in the form of ancillary costs, such as legal, consultant, and Infrastructure Ontario costs.

Advisers

Recommendation 9

To ensure that advisers are retained at the best possible price, a competitive selection process should be followed. The assignments should be defined with contracts that stipulate the exact deliverables. The work of the advisers should be monitored and a process put in place to ensure knowledge transfer.

Status

Infrastructure Ontario indicated that its procurement policy is consistent with the Management Board of Cabinet Procurement Directive. It specifies that, whenever possible, all contracts for advisers are to be procured as fixed-price contracts. A competitive process, either open competitive or invitational RFP, must be used for consulting irrespective of the value of the contract.

According to Infrastructure Ontario, advisory costs per project have continued to trend lower, dramatically in many instances. Additional savings have been achieved by bundling projects together and having internal staff take over capital market adviser positions.

Infrastructure Ontario informed us that the project governance structure is set up to review and document issues and to ensure that lessons learned are followed up on from project to project.

Contract Management

Recommendation 10

Hospitals should have adequate procedures in place to verify the performance of contractors. Any resulting adjustments to the unitary payment should be made on a timely basis.

Status

Infrastructure Ontario published a user guide in 2009 in order to support the hospitals in monitoring the performance of their contractors. Additionally, Infrastructure Ontario has expanded the term of its project delivery teams to enable them to continue monitoring construction projects up to their completion.

William Osler Health System has developed and put in place the following procedures to monitor contractors' performance: Available in-house legal counsel and a designated director are responsible for liaison with the private sector for any issues that may arise. A dedicated analyst is used to review unitary payments to private contractors. Monthly meetings and reviews of operational and volume information are held with private contractors to review their performance. A parking, security, inventory, and environmental compliance review was recently completed for the 2009/10 fiscal year.

Local Share of the Capital Cost

Recommendation 11

Before granting approval for a new hospital, the government should carry out a more comprehensive assessment of whether the hospital has a realistic plan for raising its agreed-to local share of the funding.

Status

Each major health capital project has at least one local share plan, as required by the Ministry of Health and Long-Term Care (MOHLTC), that documents the hospital's analysis of how it intends to raise the local share of the cost of a proposed capital project. According to MOHLTC, the plan must contain sufficient detail to enable the Ministry to understand the risks, terms and conditions, and assumptions pertaining to the hospital's source of funds, and must be consistent with the hospital's plan for a balanced budget. MOHLTC reviews the local share plans for risks to providers' operations, risk mitigation strategies, and affordability to the local community.

In addition, hospitals are required to sign a Development Accountability Agreement that holds them accountable for securing and paying the local share of costs. Specifically, the agreement contains requirements for the management of a sinking fund by the hospital and a trustee. According to

MOHLTC, these measures, now in place with respect to all approved major health capital projects, help to mitigate the risks of hospitals not being able to fund their local share of project costs.

Accountability and Transparency

Recommendation 12

To ensure transparency, Infrastructure Ontario should establish and communicate a policy on disclosure of AFP information.

Status

Infrastructure Ontario indicated to us, as it did in 2008, that its disclosure policy is based on the principles of transparency outlined in the government's Building a Better Tomorrow framework. All requests for qualifications are posted on MERX, and all RFPs, project agreements, and VFM reports are posted on Infrastructure Ontario's website.

Chapter 4

Section

4.04

Ministry of Children and Youth Services

Child and Youth Mental Health Agencies

Follow-up on VFM Section 3.04, *2008 Annual Report*

Background

The Child and Youth Mental Health program of the Ministry of Children and Youth Services (Ministry) provides transfer-payment funding to about 440 agencies that provide a broad range of services and supports to children and youth up to the age of 18 who have mental-health needs. In the 2009/10 fiscal year, expenditures under this program were approximately $522 million ($502 million in 2007/08), of which $444 million or 85% ($434 million or 86% in 2007/08) was paid to the agencies, with the balance spent on ministry initiatives and the operation of two of its own treatment facilities. The 40 largest agencies received about half of the total transfer payments.

Our 2008 value-for-money audit focused on four specific agencies providing these services, as opposed to our previous audit in 2003, which focused on the Ministry's administration of this program. This was made possible by the expansion of the mandate of the Office of the Auditor General, effective April 1, 2005, to include value-for-money audits of organizations in the broader public sector receiving transfer payments. This was our first such audit of the agencies delivering this program.

The four agencies visited were Associated Youth Services of Peel; Hincks-Dellcrest Treatment Centre in Toronto; Kinark Child and Family Services, which serves the York and Durham regions and Simcoe, Peterborough, and Northumberland counties, and which also operates a secure-treatment facility in Oakville that accepts referrals of youth from across Ontario; and the Youth Services Bureau of Ottawa.

Typical services and supports provided under the Child and Youth Mental Health program include intake and assessment; group, individual, and family counselling; residential or day treatment programs; and crisis intervention. The majority of the expenditure is for programs and services that are delivered in a non-residential setting. Because this program is not mandated in legislation, services can be provided only up to the system's existing capacity, which is determined largely by the amount and allocation of ministry funding rather than by need.

Our audit noted that, over the years, the agencies have operated with considerable autonomy, partly because there has been little ministry direction as to what kinds and levels of services should be provided. This situation has resulted in a patchwork of services for children with mental-health needs, both in local communities and across the province. In our *2008 Annual Report*, several of our specific audit observations were similar to those identified during the ministry audit in 2003. We noted that agencies needed to:

- jointly improve their assessment and referral procedures across the province to prevent situations where:
  - a parent has a child with a mental-health issue and does not know where to call to get help or may have to make many calls to different agencies to try to determine what services are available, what services would best serve the child's needs, and what process to follow to get that service for the child; and
  - a child with less severe or less urgent needs is being treated in one region of the province while no services are available in another region for a child with more severe or more urgent needs.
- develop reasonable case-management standards for the provision of a broad range of non-residential services, and implement an internal quality assessment or peer review process to assess whether those standards are being adhered to; and
- capture and report more meaningful information with regard to the number and type of services rendered for funds received, and the outcomes achieved with these funds.

In addition, the agencies advised us that, since there had been few or no annual funding increases for their core programs—including their administrative activities—over the previous 10 years, they had had considerable difficulty in maintaining their core services. However, funding constraints notwithstanding, agencies needed to be more vigilant to ensure that they receive, and can demonstrate that they received, value for money spent. In this regard, we made several recommendations, including that agencies should:

- establish and/or adhere to competitive purchasing practices and ensure that all paid invoices contain sufficiently detailed information to establish the reasonableness of the amounts billed and are appropriately approved before payment;
- acquire vehicles for staff use only when it is economical to do so, and strengthen the controls over reimbursements to staff for use of personal vehicles for work; and
- establish reasonable workload benchmarks that would enable all providers to compare their overall staffing levels.

We made a number of recommendations for improvement and received commitments from the four agencies that they would take action to address our concerns. As well, the Standing Committee on Public Accounts held a hearing on this audit in April 2009.

Status of Recommendations

Information we obtained from the four agencies and discussions we held with their senior management indicate that the agencies have made good progress in implementing many of our recommendations, but they still need to do more to fully address all areas satisfactorily. As well, because implementing some recommendations would require that they co-ordinate their efforts with other child and youth mental-health agencies in their area and, in some cases, with the Ministry, full implementation of all recommendations will take more time. At the time of our follow-up, the status of action taken on each of our recommendations was as follows.

SERVICE DELIVERY

Access to Services

Recommendation 1

To help ensure that the most appropriate services are provided to those individuals most in need, agencies should work closely with all service providers in their area to ensure that the intent of the policy frameworks of the Ministry of Children and Youth Services are adhered to. Therefore, there should be:

- *a single point of access or a collaborative placement process for all available residential services and support;*
- *fewer access points or more collaborative efforts to assess and prioritize individuals' needs and refer them to the most appropriate non-residential services and support available;*
- *documentation to support the reasons for a particular placement; and*
- *research into best practices for ensuring that a community's schools have the knowledge to be proactive partners in helping children in need.*

Status

With respect to residential services and supports, at the time of our follow-up, all four agencies informed us that they either had established or were in the process of piloting a single point of access or had a collaborative placement process in place.

With respect to non-residential services and supports, the agencies had established co-ordinated access for all or some of their programs and were exploring additional collaborative efforts with other agencies in their area as opportunities arose. However, more needs to be done to reduce access points and ensure that there is a collaborative placement process for access to all non-residential programs.

The agencies have made some progress with respect to documenting the reasons for a particular placement. The Brief Child and Family Phone Interview intake tool used by the agencies provides an objective assessment of the nature and severity of individual cases. This information also assists in triage and the placement of the individual in the best evidence-based program available. However, more effort is still required to ensure that the link between an individual's assessment and his or her placement for services is clearly documented.

At the time of our follow-up, the agencies advised us that they were involved in researching best practices to help schools in their community become proactive partners in helping children in need. Three of the agencies were participating in the Student Support Leadership initiative, a collaborative effort between the Ministries of Education, Children and Youth Services, and Health and Long-Term Care to support the healthy development of Ontario's children and youth and promote positive student behaviour.

Waiting Lists

Recommendation 2

In order to have better information about unmet service needs and ensure that those most in need are provided with service first, agencies should:

- *maintain more comprehensive, consistent, and meaningful waiting-list information by individual from the time a person is referred to the agency to the time he or she is provided with service; and*
- *work with the Ministry of Children and Youth Services to ensure that the Ministry receives accurate waiting-list information from data collected through the Brief Child and Family Phone Interview or other such processes on a timely and consistent basis to help it better monitor and assess unmet service needs.*

Status

The agencies advised us that they have improved the consistency and meaningfulness of waiting-list information by, for example, tracking overall wait times for individuals, including date of referral, admission, and discharge. They indicated that management's analysis of this information has led to initiatives, such as "pre-service" programming and more immediate referrals to community group programs, aimed at reducing wait times and facilitating more efficient and effective use of services. Other best practices now include regularly reporting detailed waiting-list information to a committee of the agency's board of directors for a discussion of strategies to reduce wait times.

The agencies also advised us that they have improved the usefulness of the Brief Child and Family Phone Interview data by reviewing it for completeness and accuracy before submitting it to the Ministry.

Case Management

Recommendation 3

To help ensure that every person receives the quality services that he or she needs, all agencies, in consultation with the Ministry of Children and Youth Services, should:

- *develop case management standards for their non-residential programs; and*
- *develop a periodic internal quality-assessment or peer-review process to help ensure that case management standards are being met.*

Status

At the time of our follow-up, the agencies had in place, or were in the process of finalizing, case management standards for their non-residential programs. Children's Mental Health Ontario (CMHO) provided revised guidelines for the development of these standards to each agency for their consideration in the 2008/09 fiscal year and beyond.

All the agencies have also developed internal quality-assessment processes that they use or plan on using on a regular basis to assess whether case management standards are being adhered to. These processes include such things as case file reviews and the analysis of program-specific data. In addition, the CMHO's quadrennial accreditation process includes both a review of the agencies' own quality-assessment processes and an external peer review that, among other things, requires agencies to have an ongoing program of quality improvement with respect to the services delivered.

Evidence-based Service Delivery

Recommendation 4

In order to help demonstrate that children and youth with mental-health needs have been helped as much as possible by the services they receive, agencies, in consultation with the Ministry of Children and Youth Services, should:

- *continue the move to deliver proven programs using evidence-based practices to make the best use of available child and youth mental-health funding;*
- *report more meaningful and consistent information about the quantity of services they provide; and*
- *establish more detailed or meaningful qualitative benchmarks, by individual and by type of program, to which the actual results achieved can be compared.*

Status

According to the agencies, developing evidence-based practices is a priority for them, and some good initiatives have been undertaken in this regard. For example, most agencies have successfully implemented a number of new evidence-based programs, such as cognitive behavioural therapy, and participate in research and training in the area of evidence-based practices. We also understand that, with its new mandate effective April 1, 2010, the Provincial Centre of Excellence for Child and Youth Mental Health is to focus exclusively on the development and distribution of evidence-based practices, which is expected to assist agencies with their work in this area.

The metrics for reporting quantitative service data to the Ministry have not changed. Nevertheless, the agencies advised us that they are maintaining and assessing more detailed information about the quantity of services they provide.

Although some evidence-based programs have built-in benchmarks, only one agency is actively working toward establishing benchmarks for its other programs. Therefore, more work needs to be done to establish detailed and meaningful qualitative benchmarks for all individual and program outcomes. The agencies indicated that they would benefit from the Ministry's support to accomplish the development of these benchmarks.

AGENCY MANAGEMENT AND CONTROL

Purchasing Policies and Procedures

Recommendation 5

To help ensure that expenditures are reasonable and represent value for money spent while promoting fair *dealing with vendors, agencies, in consultation with the Ministry of Children and Youth Services, should:*

- *establish requirements for a competitive process for major purchases of goods and services; and*
- *establish clear policies, approved by each agency's governing board, for the circumstances and amounts in which certain types of discretionary expenditures, such as meals, hospitality, client and staff functions and gifts, and appreciation awards, will be paid.*

Status

At the time of our follow-up, all the agencies had established policies requiring the competitive acquisition of goods and services and policies for the circumstances and amounts in which discretionary expenditures will be paid. These policies are consistent with the Ministry's best-practice guidelines issued to Ministry-funded service providers in October 2008.

In addition, most of the agencies have recently participated in training sessions conducted by the Ministry of Finance on its new Supply Chain Guideline, which is a tool to assist organizations to improve procurement and supply chain management. As well, in July 2010, the Ministry of Children and Youth Services notified the agencies that they are now able to access the province's vendor-of-record database, which allows them to take advantage of contracts that the government has negotiated with select vendors. This will enable them to acquire certain goods and services at fixed rates.

Acquisition of Professional Services

Recommendation 6

In order to help ensure that they receive value for money spent for professional services and promote fair dealing with vendors, agencies should:

- *document the basis on which professional individuals or firms were selected and the way in which the reasonableness of the amounts to be paid was determined;*
- *for major contracts, enter into formal written agreements detailing the basis under which services are to be provided and paid for and periodically evaluate the results achieved; and*
- *ensure that invoices contain enough detail that the reasonableness of the amounts billed and paid can be assessed.*

Status

The agencies advised us that, with the establishment of requirements for the competitive acquisition of goods and services, some progress has been made in documenting the basis on which professional individuals or firms were selected, the way in which the reasonableness of the amounts to be paid was determined, and the terms of formal written agreements. Progress has also been made in requiring that service providers submit invoices that are sufficiently detailed for the agencies to be able to assess the reasonableness of the amounts billed. However, for professional services the agencies still need to assess and document how satisfied they were with the services provided so that this information can be taken into consideration in awarding future work.

General Expenditures and Use of Agency Credit Cards

Recommendation 7

In order to help ensure that all payments made are reasonable in the circumstances and can be demonstrated to be so, agencies should:

- *formally delegate to specific persons the authority to initiate and approve purchases and to authorize payments, and emphasize to those persons the need to be vigilant in order to obtain value for money spent;*
- *obtain and keep receipts and invoices that are detailed enough to establish the reasonableness of all the amounts billed and paid; and*
- *review and approve credit-card statements more promptly.*

Status

The agencies have made substantial progress in implementing this recommendation. They have formally delegated responsibility for initiating and approving purchases and authorizing payments to specific individuals. They also indicated to us that they have been more diligent in obtaining, scrutinizing, and keeping receipts and invoices for expenditures and are striving to review and approve credit-card statements more promptly.

Use of Agency Vehicles and Reimbursement for Use of Personal Vehicles

Recommendation 8

In order to help ensure that all of their transportation requirements are acquired economically, agencies should:

- *ensure that the number of vehicles they own or lease is justified by an assessment of their transportation needs;*
- *periodically review and assess for reasonableness the usage information for owned or leased vehicles; and*
- *ensure that claims for the use of personal vehicles for business purposes contain sufficiently detailed information for reviewers to confirm the reasonableness of the amounts claimed and paid.*

Status

The agencies have assessed their transportation requirements to ensure that the number of owned or leased vehicles is justified. The agency that had significantly more owned and leased vehicles than the other agencies at the time of our 2008 audit advised us that it has given notice to its staff that it will no longer provide vehicles to individuals for their exclusive use and that this will significantly reduce the number of vehicles leased by the 2012 calendar year. The agencies that own or lease vehicles also advised us that they now regularly review and assess vehicle-usage information for reasonableness. The agencies have also revised their travel claim forms for the use of a personal vehicle to capture more consistently the detailed information necessary to assess the reasonableness of the amounts claimed.

Ministry Transfer of Funds and Funds Held in Trust

Recommendation 9

When agencies act as a conduit for transferring funds from the Ministry of Children and Youth Services to third parties, they should consult with the Ministry to clarify their responsibilities. In particular, this clarification should specify:

- *who is responsible for assessing the reasonableness of the amounts transferred to third parties and ensuring that the funds are actually used for their intended purpose; and*
- *who is responsible for the results that are expected to be achieved with those funds.*

Status

We were advised that the frequency and amounts of such third-party transfers have significantly decreased since the time of our audit. However, the agencies advised us that, when such transfers occur, they will inform the Ministry that it is responsible for assessing the reasonableness of the amounts transferred, evaluating the results achieved, and ensuring that the funds are used for their intended purpose.

Agency-board Governance and Accountability

Recommendation 10

Agencies should continually assess their options for strengthening board governance and accountability structures. For example, agency membership could be extended to include children's advocates or individuals representing the interests of service recipients, as is done by some Children's Aid Societies.

Status

At the time of our follow-up, the agencies were reviewing their board governance structures, including membership, terms of reference, and their use of committees. They were also reviewing how best to orient new board members.

The government's Transfer Payment Accountability Directive provides for a broad range of accountability measures, including board governance. Board members are now signing off on the specified requirements of the Directive on an annual basis, and they have the option to attend training sessions on the Directive's specific requirements.

Human Resource Management

Recommendation 11

Agencies should establish reasonable staff-to-client or other workload benchmarks as guidance for supervisory staff and to support overall staffing levels. They should also have supervisors perform spot checks of personnel files to help ensure that hiring requirements such as background checks and other human-resource-management requirements are followed.

Status

At the time of our follow-up, only one of the agencies had established any staff-to-client or other workload benchmarks to assist supervisors or to support overall staffing levels. In general, the agencies noted difficulties in establishing these benchmarks because of the lack of relevant information available for child and youth mental-health services and because of the variability of programs and client needs. They also advised us that they do not have the resources to undertake this task and that they require ministry support for the development of workload benchmarks.

We were also advised that the agencies have implemented processes to ensure that hiring requirements are strictly followed. Examples of such processes included the development of a documentation checklist for new hires and periodic audits of the completeness of human resource files.

Capital Assets

Recommendation 12

All agencies should ensure that the acquisition and retention of their capital assets is warranted and that they are properly safeguarded and accounted for.

Status

The agency that had an empty building at the time of our audit in 2008 has established a property/real estate advisory committee to review and assess the use of all of its facilities and provide advice on how to ensure that its real properties are best used to serve children and their families. Although some progress has been made to update their listings of capital assets, the agencies need to make more effort to properly safeguard these physical assets by, for example, ensuring that items such as computers are tagged and their location periodically verified.

Computerized Information Systems

Recommendation 13

All agencies should strengthen their controls over their computerized information systems, especially with respect to security of confidential client data. Collaboration between agencies could be a more cost-effective approach to doing so as opposed to each agency developing and maintaining its own system.

Status

The agencies have reviewed and, where applicable, revised their information system policies to ensure that they include the protection of client information and the safeguarding of equipment. They indicated that controls over their computerized information systems have been strengthened by improving password requirements and upgrading security protocols with outside service providers to better protect confidential client data. They also indicated that they more frequently back up data and transfer it off-site.

The agencies told us that they collaborate with other agencies on information systems and programs to the degree possible given their current resources. For example, one agency provided its client information system and support to other agencies for a nominal annual amount. The agencies indicated that they require additional support from the Ministry if they are to expand on these efforts.

Chapter 4
Section
4.05

Ministry of Transportation

Commercial Vehicle Safety and Enforcement Program

Follow-up on VFM Section 3.05, *2008 Annual Report*

Background

The Road User Safety Division of the Ministry of Transportation (Ministry) focuses on improving safety and security for Ontario road users. Its activities include the regulation of commercial vehicles operating in the province and enforcement of safety standards. Owners of commercial vehicle businesses (known as operators) in Ontario are required to register with the Ministry. In the 2009/10 fiscal year, the Ministry spent more than $106 million on road-user safety activities.

Under the commercial vehicle enforcement program, which we audited in 2008, the Ministry maintains a number of roadside stations along Ontario highways to enable staff to conduct both risk-based and random inspections of commercial vehicles. In 2009/10, the Ministry maintained 36 fixed and about 70 temporary roadside inspection stations (the same as in 2007/08). The Ministry also works to ensure that commercial vehicles are safety-certified annually by licensed mechanics and maintains a rating system for monitoring operator safety performance.

In our *2008 Annual Report*, we noted that initiatives undertaken by the Ministry over the past decade had contributed to a reduction from past levels in both the rate of fatalities involving commercial vehicles and the rate of collisions per 1,000 kilometres driven by commercial vehicle operators. However, because we found that 9.2% of all collisions in Ontario still involved a commercial vehicle, we recommended that the Ministry increase its efforts aimed at identifying high-risk operators and strengthen both its commercial vehicle enforcement activities and its oversight of private-sector motor vehicle inspection stations. In our *2008 Annual Report*, our more significant observations included the following:

- We acknowledged a number of ministry safety initiatives targeting commercial vehicles and drivers. These included limits on operating hours for drivers, legislated reductions to commercial vehicle speeds, impounding of vehicles with critical defects, and implementation of a new system for rating operator safety.
- Although the Ministry relied on the Commercial Vehicle Operator's Registration (CVOR) system to track operator safety records, some 20,600 operators that had been involved in collisions, convicted, or pulled over for

roadside inspections did not have the required CVOR certificate and the Ministry had initiated little follow-up action. The Ministry also did not know the number of operators currently on the road because there was no requirement for CVOR certificates to be periodically renewed.

- The number of roadside inspections conducted by the Ministry had dropped by 34% since 2003/04 to approximately 99,000 annually. In 2007, only three out of every 1,000 commercial vehicles were subject to such inspections.
- A disproportionate percentage (65%) of roadside inspections were conducted between 6:00 a.m. and 2:00 p.m. Although 21% of commercial vehicle trips occurred at night, only 8% of inspections were conducted at night.
- Enforcement officers averaged only one to two roadside inspections per day. We also noted that inspections were not being done consistently across Ontario, and standards for issuing safety certifications to commercial vehicles were outdated.
- More than 140 bus terminal inspections were overdue, with some terminals not having been inspected for more than four years. In fact, 76 terminals had never been inspected, including four with more than 100 buses each.
- Inspectors often could not retrieve operator safety records from the CVOR system quickly enough to use them in deciding which vehicles warranted a full inspection.
- Data on 18,000 United States collisions or roadside inspections involving Ontario operators had not been included in Ontario operator records as required by the federal *Motor Vehicle Transport Act*.
- Ministry interventions against high-risk operators had been declining since 2003, and the most serious interventions, such as suspension or revocation of an operator's CVOR certificate, dropped by 40%. As well, two-thirds of 740 operator facility audits, which ministry policy requires for higher-risk operators, were cancelled by ministry staff.
- Meeting the goals of the Canadian national road safety plan would represent a challenge. Although the number of fatal collisions involving commercial vehicles had been gradually dropping, and the serious injury rate had declined by 9.7% over a four-year period, both were still well short of the 20% reduction by 2010 called for under the plan.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

Status of Recommendations

On the basis of information provided by the Ministry, we concluded that it had made some progress on all of our recommendations, with significant progress being made on a number of them. Some system improvements, including the capability to better measure and report on the effectiveness of the Commercial Vehicle Safety and Enforcement Program, will require several more years to implement fully. The status of action taken on each of our recommendations was as follows.

REGISTRATION OF COMMERCIAL VEHICLE OPERATORS

Recommendation 1

To help ensure that all commercial vehicle operators are registered and that they have provided all required information about their operations, the Ministry of Transportation should:

- *consider revising the registration requirements to ensure that all operators are required to regularly renew their Commercial Vehicle Operator's Registration (CVOR) certificate and update their operating information;*

- *work with the Private Issuing Network to connect the CVOR registration process with commercial vehicle registrations to highlight operators without a CVOR certificate; and*
- *follow up on all unregistered operators to ensure that they are properly registered within a reasonable time.*

Status

In Ontario, operators register for one Commercial Vehicle Operator's Registration (CVOR) for their business and register each of their commercial vehicles separately through the province's Private Issuing Network (PIN) offices, the same offices that register all other Ontario drivers and vehicles.

In our *2008 Annual Report*, we noted some 20,600 commercial vehicle operators who had been involved in on-road events, such as collisions, convictions, or roadside inspections, but were not registered with the Ministry. We also noted some 1,600 cases where owners of commercial vehicles had registered their commercial vehicles with PIN offices without having the required CVOR certificate for their business. Further, we noted that because Ontario, unlike several other provinces, had no registration renewal process, it was difficult to know with any degree of precision how many operators were in business in the province and how large and how active these businesses were.

At the time of our follow-up, the Ministry informed us that it had taken several steps to address the above concerns and respond to our recommendations. Perhaps the most significant was the implementation of a new CVOR renewal process, begun in 2008 and, according to the Ministry, on track for full implementation by December 2010. Starting December 1, 2008, all CVORs were to be assigned an expiry date. Since that date, all new operators have been required to first pay a $250 fee to register with the Ministry, and then to annually update the Ministry on their business operations and pay an annual $50 renewal fee to maintain their registration. The Ministry told us that existing operators with non-expiring CVORs were being converted to the expiry system over a two-year period. The Ministry expects that the new system will significantly improve the accuracy of the Ministry's database of carrier information, enhance its ability to monitor the on-road safety performance of operators, and allow it to take more timely action against those carriers that do not meet its safety standards.

With regard to our concern about operators without CVOR certificates being able to successfully register their commercial vehicles at PIN offices, the Ministry informed us that it had been working with the PIN offices to minimize such omissions. It had distributed memoranda, posters, and brochures to the PIN offices to heighten the awareness of both PIN staff and operators on its registration requirements. The Ministry told us that further improvements were planned as part of a Road User Safety Modernization Project, due for completion in December 2013.

The Ministry informed us that, in response to our recommendation regarding following up on unregistered operators, in addition to implementing the new CVOR renewal process and working to ensure that PIN staff advise applicants of CVOR requirements when registering their commercial vehicles, it had completed two projects in which CVOR applications were sent out to unregistered operators. The first such project targeted operators with vehicles with a registered gross weight of over 4,500 kilograms. Under this project, 1,574 applications were sent out and 678 carriers (43%) responded. Eventually, 580 of these carriers properly registered and obtained a valid CVOR. The second project dealt with operators who had previous convictions on their carrier records and did not currently hold CVOR certificates. In this project, 1,094 applications were mailed out and 280 (26%) responded. Of these, 218 were required to, and did obtain, CVORs. Another 701 of the unregistered operators identified were found to be associated with existing CVOR certificate holders.

ROADSIDE INSPECTIONS

Co-ordination of Inspection Resources

Recommendation 2

To ensure that best use is made of roadside inspection resources, the Ministry of Transportation should:

- *develop benchmark targets for the number of roadside inspections to be performed;*
- *conduct regular risk assessments to determine the best times for the stations to be open to minimize gaps in vehicle roadside inspections, and allocate inspectors accordingly; and*
- *monitor actual inspections and results so that systemic inconsistencies are identified for follow-up.*

Status

In our *2008 Annual Report*, we noted that the number of roadside inspections had dropped over the previous four years, with 34% fewer inspections conducted in 2007/08 than in 2003/04, and that inspection results often differed considerably among district offices. We further noted that the Ministry had no detailed standards establishing performance expectations for its inspectors, or a resource allocation strategy to target areas of greatest risk and ensure that systemic gaps in inspection coverage were avoided.

The Ministry informed us that, in response to these concerns and our recommendations, it had hired 50 new enforcement officers and was hiring additional supervisors to ensure that more roadside inspections take place at key locations along major corridors. Ministry officials also informed us that they had put in place new performance standards for enforcement officers, and had studied the variances in inspection results that we had noted across districts and taken steps to improve consistency. The Ministry has also completed a strategic plan to optimize the use of its enforcement resources. Under the strategic plan, the 36 truck inspection stations were evaluated and ranked to reflect their strategic value to the enforcement program. The ranking took into consideration such factors as whether they were located at ports of entry to the province, whether they were on major commercial trade routes, whether the station stood alone or supplemented a station at an earlier point along the same route, and whether the location contributed to traffic congestion problems. Based on this work, the Ministry has decommissioned three of its stations and will continue to review the entire network of truck inspection stations, establishing a multi-year capital program to revitalize the remaining sites.

Bus Inspections

Recommendation 3

To provide adequate assurance that bus operators are keeping their vehicles mechanically safe, the Ministry of Transportation should:

- *complete the backlog of overdue inspections at bus terminals with a focus on the large or higher-risk operators; and*
- *conduct a data-quality review of its recent Bus Information Tracking System to determine why there are errors in its system reports.*

Status

In our *2008 Annual Report*, we noted that more than 140 bus terminal inspections were overdue, some by more than four years, and that 76 bus terminals had never been inspected. The Ministry informed us that, in response to these observations and our recommendations, it had addressed the backlog by conducting more than 2,000 bus inspections since 2008 and by developing a risk-based approach for planning inspections that included such factors as age of the buses, size of the fleet, and past safety performance. Officers had been provided guidance as to how many buses to inspect at each facility, based on the number of buses an operator had and the number of terminals out of which they operated. The approach also required that, where an operator maintains both older (more than five years in operation) and newer buses, 60% of the buses inspected should be older ones. The

Ministry also informed us that the system problems that caused reporting errors in the Bus Information Tracking System had been corrected.

Vehicles with Defects

Recommendation 4

To ensure that non-compliant carriers are dealt with on a timely basis and unsafe vehicles are promptly removed from the road, the Ministry of Transportation should:

- *provide guidance on how impoundments of vehicles with serious defects are to be handled for those truck inspection facilities with no impoundment area available;*
- *investigate the reasons for the significant variances in vehicle impoundments across the province to ensure that operators are treated consistently; and*
- *establish guidelines for verifying that the repairs relating to less serious defects noted during roadside inspections have been made.*

Status

Ontario is the only North American jurisdiction with a commercial vehicle impoundment program. Although this is commendable, in our *2008 Annual Report,* we noted that the impoundment program needed improvement because its impoundment facilities for holding unsafe vehicles were inadequate. Only 15 of the truck inspection stations had impoundment facilities. At the other stations, rather than impounding the vehicle, the operator is required to repair the out-of-service defect or have the vehicle towed away. We also noted more than 200 impoundments that had never been entered into the system and were thus not included in the respective operators' safety records.

The Ministry informed us that it had dealt with the 200 missing impoundment records and had implemented electronic impoundment and vehicle inspection documents to minimize similar omissions in future. It also informed us it had provided enforcement officers with clear direction regarding the issuance of and follow-up on defect repair verification notices, had assessed the variances we found in vehicle impoundment procedures, and worked to promote and improve enforcement consistency across district offices.

Roadside Inspection Capture System

Recommendation 5

To ensure that enforcement officers can use the recently improved information technology system to identify high-risk operators that might warrant a more thorough roadside inspection, the Ministry of Transportation should:

- *improve network bandwidth at the roadside inspection stations;*
- *encourage districts that issue paper inspection reports to input them electronically in the Roadside Data Capture system;*
- *reassess the decision not to have the system flag all vehicles that were found to have critical defects in previous inspections once 90 days have passed; and*
- *consider establishing a data interface with the court system to transfer provincial offences charges electronically.*

Status

In our *2008 Annual Report*, we noted that, because of bandwidth problems, enforcement officers at roadside inspection stations often had difficulty retrieving operator records from the Ministry's database to identify past problems that might indicate a high-risk vehicle or operator. We also found almost 10,000 paper-based inspection reports had been sent in to the Enforcement Branch and were backlogged for entry into the system, even though officers could enter these reports electronically themselves from the district offices. We also noted that a built-in system check designed to flag vehicles that had critical defects in their previous inspections was automatically turned off after 90 days, and that the system for issuing electronic provincial offence tickets under the *Highway Traffic*

Act could be better integrated with the Ministry of the Attorney General's court information system.

The Ministry informed us that, in response to these observations and our recommendations, it had upgraded network bandwidth at all truck inspection stations, thereby improving system performance. In addition, the Ministry reported that upgraded hardware had been installed in all enforcement vehicles to increase the speed of data transmission to and from ministry headquarters. The Ministry said it had also trained district enforcement staff in entering inspection reports electronically and utilized additional resources to eliminate the backlog of inspection reports. Training in the Roadside Data Capture system had also been provided to additional head office staff to ensure that future paper-based reports could be entered into the system in a timely manner. We were also informed that the Ministry had put processes in place to improve the way the Roadside Data Capture system functioned to flag vehicles that had previously had critical defects. Administrative processes for tracking defect repairs have also been implemented. With respect to integration with the court system, the Ministry informed us that it had continued to enhance its system's capability for generating electronic offence notices. This capability is now in place for all types of charges, thus eliminating a possible source of error when manually prepared tickets must be re-keyed into the system. However, it was still not possible for these electronic files to be used to update the Ministry of the Attorney General's court information system.

INTERVENTION ACTIVITIES

Accuracy of Safety Rating, Out-of-province Events, and Red Light Cameras

Recommendation 6

To help ensure the integrity of the Commercial Vehicle Operator's Registration system and to enhance the reliability of the operator's safety rating, the Ministry of Transportation should:

- *consider what sanctions might be effective for operators that do not provide all required information, including their fleet size and kilometric data;*
- *implement procedures to ensure that all carrier collisions and convictions are promptly and accurately recorded in operator records;*
- *reconsider the decision not to use collision and roadside inspection violation data from the United States in its risk assessments; and*
- *consider requiring that a tractor licence plate also be displayed on the back of trailers so that the operator can be more easily identified.*

Status

In our *2008 Annual Report*, we noted that almost 74,000 registered operators—40% of the total number—did not have safety ratings, either because they had not been involved in any reported incidents or failed inspections, or possibly because they were no longer in business. We also found that some 3,200 operators had not registered all their vehicles, another 1,150 had not reported their fleet size, and more than 100,000 operators had not reported their kilometres travelled within Canada. We further noted that a two-year violation tracking period used by the Ministry to gauge whether enforcement intervention was needed was often shortened unintentionally because of delays in entering collision and conviction data and because the collision date was used as the starting point for the two-year period instead of the conviction date. We raised concerns that the Ministry was not updating operator data with collision and inspection data from the United States. We also noted that, although there were approximately 3,500 commercial vehicle convictions under the Ministry's red-light camera initiative, operators' safety ratings were not affected by such incidents because it was often difficult to identify the driver of the vehicle.

The Ministry informed us that, in response to these observations and our recommendations, all of our recommendations had been addressed and, with the exception of our recommendation to consider having tractor licence plates displayed on the back of trailers, all of them had been implemented or were in the process of being implemented, with full implementation expected to be completed by September 2011. Specifically, the Ministry told us that our recommendation to consider what sanctions might be effective for operators that do not provide all required information had been addressed through the new annual registration renewal process described earlier.

With respect to our recommendation to implement procedures to ensure that all carrier collisions and convictions are recorded promptly and accurately in operator records, the Ministry informed us that it had implemented new procedures along with system improvements to ensure that all relevant conviction and collision data is entered and that delays are minimized. However, the Ministry informed us that after studying the matter, it will continue to use the date of the offence rather than the date of conviction for violation tracking periods. Ministry officials told us this was consistent both with other Canadian jurisdictions and with the federal National Safety Code standard on this issue.

With respect to our recommendation to reconsider the decision not to use collision and roadside inspection violation data from the United States in its risk assessments, the Ministry informed us that it had reconsidered this and planned to include event data for Ontario carriers operating in the United States commencing in September 2011. However, we were told this implementation remained contingent on negotiations with the Ministry's U.S. counterparts.

Regarding our recommendation to consider requiring that a tractor licence plate also be displayed on the back of trailers so that the operator can be more easily identified, the Ministry informed us that a survey on this issue was conducted through the Canadian Council of Motor Transport Administrators, and Ministry officials concluded that display of tractor plates on trailers was not feasible for Ontario.

High-risk Operators, Facility Audits, Leased Vehicles, and New-entrant Program

Recommendation 7

To ensure that appropriate and timely action is taken on higher-risk operators, the Ministry of Transportation should:

- *improve the review process involved in determining when sanctions should be imposed;*
- *conduct all facility audits on a timely basis and ensure that decisions to dismiss facility audits are appropriately approved;*
- *review the responsibilities of leasing companies and lessees to ensure that incidents involving them are handled in the same way as incidents involving operators that own their vehicles; and*
- *consider an education and monitoring program for new operators similar to what is required in the United States.*

Status

In our *2008 Annual Report*, we noted that the number of enforcement interventions, such as warning letters, interviews with operators, or requiring that operators present a safety improvement plan, had been declining, as had the use of sanctions, such as seizures of assets or revocations of licences. We also noted that facility audits at operators' premises were not being completed on a timely basis and that required facility audits were often cancelled. We also raised concerns about the failure to address the issue of operators under leasing arrangements who had high violation rates, and about the lack of a program to address the high risks associated with new operators.

The Ministry informed us that all of our recommendations in these areas had been implemented, with full completion of the implementation process targeted for December 2010. Specifically, the Ministry informed us that it had taken steps to ensure that sanctions were initiated earlier against higher-risk operators and had completed all overdue facility audits through redeployment of resources and streamlined processes. The Ministry further informed us that it had provided guidance to staff not to override recommended interventions without strong justification and a full explanation and that it had communicated with leasing companies, providing them with information reminding them of their CVOR responsibilities. Lastly, the Ministry informed us that it had developed and posted a request for proposal for the development of a new entrant education and evaluation program to ensure that new truck and bus operators understand and meet their responsibilities. Including new government-wide security clearance procedures, the work is expected to be completed by March 31, 2011.

MOTOR VEHICLE INSPECTION STATIONS

Recommendation 8

To ensure that the required regular safety certifications by private-sector licensed mechanics are reliable in determining whether commercial vehicles are mechanically safe, the Ministry of Transportation should:

- *update its safety inspection standards to address current technology such as air brakes, anti-lock brakes, and airbags;*
- *enhance the functionality of its Motor Vehicle Inspection Station system so it provides management and inspectors with useful risk-based information;*
- *strengthen inventory and monitoring controls to identify whether an excessive number of safety standard certificates are being issued to private-sector inspection stations or mechanics certifying an abnormally high number of vehicles;*
- *work with the Ministry of Training, Colleges and Universities to establish a process for exchanging information on problem mechanics or those with revoked licences;*
- *ensure that mechanics registered at multiple stations are actually inspecting the vehicles they certify; and*
- *given that some states have significantly less rigorous standards than Ontario does, develop guidelines for validating inspection certificates issued south of the border.*

Status

In our *2008 Annual Report*, we noted that both the commercial vehicle inspection standards and the Ministry's inspection information system were outdated. We further commented on the lack of an inspection process for motor vehicle inspection stations and noted there was little oversight of mechanics conducting inspections at these stations. We also noted certain inventory control concerns over both motor vehicle safety certificates and out-of-province safety inspection certificates.

The Ministry informed us that all of our recommendations had been accepted, implementation was in progress, and this implementation was expected to be complete by December 2013. Specifically, with respect to the modernization of inspection standards, the Ministry informed us that it expected to have updated standards in place by July 2011, for commercial vehicles, with inspection standards for light-duty vehicles to be updated as part of the Ministry's modernization process, scheduled for completion in December 2013. It also informed us it had investigated mechanics identified as being registered at multiple inspection stations, investigated inspection stations that appeared to be issuing excessive numbers of safety standard certificates, and followed up on the missing certificates we noted in our *2008 Annual Report*. A new process had also been established for the issuance and control of certificates. According to the Ministry, certificates would no longer be available for sale from local enforcement offices. Rather, all certificate orders were to be managed and processed by head office staff in St. Catharines.

As well, the Ministry established a motor vehicle inspection station call centre and processes for exchanging information on mechanics with the Ministry of Training, Colleges and Universities. At the time of our follow-up, a memorandum of understanding between the ministries had been drafted and was in the process of being finalized.

The Ministry also informed us that it had started development of new processes to better identify and investigate fraudulent inspection station activity. The Ministry also said enforcement staff had been provided with guidance on how to treat carriers from those American states that had less rigorous standards than Ontario.

SAFETY EDUCATION

Recommendation 9

Given that an increasing percentage of collisions involve driver behaviour rather than vehicle mechanical defects, the Ministry of Transportation should assess whether some reallocation of resources to an increased focus on driver education and training might be warranted. As well, it should provide information to operators and drivers to assist them in reducing the incidence of the most common problems.

Status

In our *2008 Annual Report*, we noted that ministry statistics indicated that driver behaviour was a greater factor than mechanical failures in commercial vehicle collisions. At the time of our follow-up, the Ministry informed us that this would be addressed primarily through the new entrant education and evaluation program discussed earlier. A request for proposals to develop this program had been issued, and this included a commercial vehicle driver component. Including new government-wide security clearance procedures, the work is expected to be completed by March 31, 2011.

ROAD SAFETY MEASUREMENT AND REPORTING

Recommendation 10

The Ministry of Transportation should regularly analyze enforcement and traffic information to help management assess the effectiveness of its roadside inspection and other road safety programs in reducing fatalities and collisions. As well, it should expedite the tabling of the required report on traffic incident statistics and make this report, as well as other performance measures on its commercial vehicle road safety program, available to the public.

Status

In our *2008 Annual Report*, we noted that evaluations of the effectiveness of the commercial vehicle safety program had been sporadic, with the last comprehensive effort in this regard made in 1998, and that the public reporting of road safety data was not being done on a timely basis.

The Ministry informed us that, in response to our observations and recommendations, it had accepted our recommendations and was in the process of implementing them. Some of the planned changes were not to be in place for several years, such as the development of an improved commercial vehicle information system, which would enable trend analysis and evaluations of program effectiveness, with an effectiveness study of the revised CVOR system contemplated for early 2011. Other steps were to be completed earlier. For example, the implementation of the registrant renewal program discussed earlier, to be completed by December 2010, would significantly improve the accuracy of the Ministry's database for analysis and evaluation purposes. With respect to public reporting, the Ministry indicated it shared our concern regarding prompt tabling of required statistical reports and had investigated options for speeding up the process. The Ministry said that a change had been made so that copies of approximately 90,000 collision reports could be automatically forwarded to the Ministry from collision reporting centres, eliminating the need for ministry staff to retype the data from these reports into the system. However, the Ministry informed us that it had not implemented the new process because it was assessing whether a new longer-term strategy would be more cost effective.

Chapter 4
Section
4.06

Ministry of Health and Long-Term Care

Community Mental Health

Follow-up on VFM Section 3.06, *2008 Annual Report*

Background

The Ministry of Health and Long-Term Care (Ministry) provides transfer payments to 14 Local Health Integration Networks (LHINs) that, in turn, in the 2009/2010 fiscal year funded and oversaw about 325 (330 in 2007/08) community-based providers of mental-health services. In the 2009/10 fiscal year, funding to community mental-health services and programs in Ontario was about $683 million ($647 million in 2007/08).

At the time of our 2008 audit, studies showed that one in five Ontarians would experience a mental illness in some form and to some degree in their lifetime; about 2.5% of the province's population aged 16 years and over would be categorized as having been seriously mentally ill for some time. Mental-health policy in Ontario has been moving from institutional care in psychiatric hospitals to community-based care in the most appropriate, most effective, and least restrictive setting. Our audit found that, while progress had been made in reducing the number of mentally ill people in institutions, the Ministry, working with the LHINs and its community-based partners, still had significant work to do to enable people with serious mental illness to live fulfilling lives in their local community.

In our *2008 Annual Report*, we identified the following key issues:

- The Ministry was not yet close to achieving its target of spending 60% of mental-health funding on community-based services. In the 2006/07 fiscal year, the Ministry spent about $39 on community-based services for every $61 it spent on institutional services.
- Notwithstanding the significant investments in community care that had been made, the LHINs and service providers we visited acknowledged that many people with serious mental illness in the community were still not receiving an appropriate level of care. Of those people in hospitals, many could be discharged into the community if the necessary community mental-health services were available.
- There were lengthy wait times for community mental-health services, ranging from a minimum of eight weeks to a year or more, and about 180 days on average.
- Formal co-ordination and collaboration among stakeholders, including community mental-health service providers, relevant ministries, and LHINs, was often lacking.
- The Ministry transferred responsibility for delivery of community mental-health services to the LHINs on April 1, 2007, but the LHINs

still faced challenges in assuming responsibility for effectively overseeing and co-ordinating community-based services.

- Community mental-health service providers indicated that they were significantly challenged in their ability to maintain service levels and qualified staff, given an average annual base-funding increase of 1.5% over the few years prior to our 2007/08 fiscal year audit.
- Funding of community mental-health services was based on past funding levels rather than on actual needs. Historical-based funding resulted in significant differences in regional average per capita funding, ranging from a high of $115 to a low of $19.
- There was a critical shortage of supportive housing units in some regions, with wait times ranging from one to six years. Housing units were unevenly distributed, ranging from 20 units per 100,000 people in one LHIN to 273 units per 100,000 people in another. While some regions had shortages, others had significant vacancy rates, which were as high as 26% in the Greater Toronto Area.
- The Ministry and LHINs did not have sufficient information to be able to assess the adequacy of community-based care that people with serious mental illness were actually receiving.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns. On February 18, 2009, the Standing Committee on Public Accounts held a hearing on these recommendations and the Ministry's plans to address them.

Status of Recommendations

According to information provided to us by the Ministry, some progress has been made in addressing most of our recommendations. Several will take a few years to implement given that a long-term strategy has not yet been completed and the information needed to ensure equitable funding and track success in meeting objectives and performance commitments was not yet being collected from community agencies. The status of the action taken on each recommendation at the time of our follow-up was as follows.

MENTAL-HEALTH STRATEGY

Recommendation 1

To better ensure that Ontario's strategy of serving people with serious mental illness in the community rather than in an institutional setting is implemented effectively, the Local Health Integration Networks (LHINs), in consultation with the Ministry of Health and Long-Term Care, should provide the community capacity and resources needed to serve people with serious mental illness being discharged from institutional settings.

Status

In October 2008, the Ministry established an Advisory Group on Mental Health and Addictions to provide advice on:

- a new 10-year strategy for mental health and addictions focusing on people with serious mental illness, complex problematic substance use, and problem-gambling issues as well as on people with less serious problems; and
- provincial priorities, actions, and expected results.

The Ministry released a strategy progress report in March 2009 as well as a strategy discussion paper in July 2009. Other affected ministries (such as Community and Social Services; Children and Youth Services; Education, Training, Colleges and Universities; and Municipal Affairs and Housing) and external organizations are also helping to identify priorities for the strategy. The Ministry expects its 10-year Mental Health and Addictions Strategy to be released in December 2010.

The Ministry also informed us that LHINs are exploring the expanded use of the new multi-sectoral service accountability agreements with community mental-health organizations to further refine performance measures to ensure that resources are appropriately deployed based on needs. These agreements came into effect on April 1, 2009.

ACCESS TO SERVICES

Recommendation 2

To help ensure that people with serious mental illness have consistent, equitable, and timely access to community-based services that are appropriate to their level of need, the Ministry of Health and Long-Term Care should:

- *improve provincial co-ordination with the Local Health Integration Networks (LHINs) and other ministries that are involved in serving people with mental illness; and*
- *provide support to the LHINs—particularly in terms of knowledge transfer and data availability—that would enable them to effectively co-ordinate and oversee service providers as intended.*

The Local Health Integration Networks should:

- *work with service providers to improve the reliability of wait-list and wait-time information;*
- *collect and analyze wait-lists and wait times and use such information in determining the need for and prioritizing specific types and levels of service; and*
- *provide the necessary assistance to enhance co-ordination and collaboration among health-service providers.*

Status

The two-year multi-sectoral service accountability agreements between the LHINs and the community organizations implemented during the 2009/10 fiscal year include financial and statistical reporting requirements.

In our *2008 Annual Report*, we identified a new tool, the Ontario Common Assessment of Need (OCAN), which is based on the Camberwell Assessment of Need being used in other jurisdictions to track client data and assess the health and social needs of people with mental illness. The OCAN tool enables knowledge transfer by allowing service providers to share standardized client assessment information, thus reducing repetitive information-gathering and improving the flow of data through the system.

At the time of our initial audit, the tool was being piloted in 16 community mental-health organizations across the province. The Ministry advised us that the pilot was successfully completed. These 16 organizations continued to use the tool and shared their expertise with others beginning to use the tool.

The Ministry targets March 31, 2012, for OCAN to be fully implemented across more than 300 community mental-health organizations. Once implemented across the sector, the tool is expected to produce high-quality data that support both the provision of mental-health care to clients and informed decision-making at the organization, LHIN, and Ministry levels.

The Ministry reiterated that it is the responsibility of the LHINs to co-ordinate and integrate local health services to serve client needs. The Ministry is working with them on community mental-health program issues such as improving wait times and availability of services.

Meanwhile, the Ministry also informed us that LHINs have been identifying their populations in need and are working with local providers to develop approaches to ensure that people with serious mental illness receive appropriate services.

FUNDING

Recommendation 3

To ensure that people with similar needs are able to receive a similar level of community supports and services, the Ministry of Health and Long-Term Care and the Local Health Integration Networks should collect complete data and adequate cost estimates to review *regional variations in population characteristics, needs, and health risks so that funding provided is commensurate with the demand for and value of the services to be provided.*

Status

The Ministry informed us that it is still in the process of compiling financial and program performance data that could be used to facilitate an evidence-based allocation methodology for the community mental-health sector. In spring 2009, it received a four-year evaluation report on the impact of new funding. The Ministry has been working closely with the LHINs and service providers to develop a framework for new funding investments in the community mental-health sector. Ultimately, the Ministry expects to:

- provide evidence-based allocation of funding for community mental health; and
- develop strategies to address funding inequities across different regions so that clients with similar mental-health issues receive appropriate levels of treatment services wherever they live in Ontario.

However, at the time of our follow-up, the Ministry advised us that new funding methodologies for the mental-health sector had not been developed because it lacked consistent data from this sector. The Ministry further indicated that it has conveyed to addiction and mental-health agencies the need for the collection of consistent and complete clinical diagnostic and financial data sets in order to develop a reliable funding methodology.

HOUSING

Recommendation 4

To ensure that adequate supportive housing is available to provide people with serious mental illness with appropriate, equitable, and consistent care, the Ministry of Health and Long-Term Care and the Local Health Integration Networks should:

- *improve data-collection mechanisms and system monitoring to determine the number and type of housing units needed; the areas with serious shortages of housing; the levels of unmet needs, occupancy, and vacancy; and the adequacy and appropriateness of care provided to housing clients; and*
- *ensure one-time capital funding is being spent in a timely and prudent manner.*

Status

The Ministry advised us that it is continuing to improve data collection in regard to housing needs. It further indicated that it will over the next few years refine, as required, and make more effective the existing housing allocation methodology based on the current portfolio and population. The Ministry further indicated that it is currently working with the Ministry of Municipal Affairs and Housing on a two-year, $16-million capital grant program for the repair and regeneration of eligible social housing projects.

The Ministry also informed us that it has initiated accountability agreements and reporting mechanisms to monitor the implementation of one-time capital grants and ensure prudent and timely spending.

PROGRAM STANDARDS

Recommendation 5

To ensure that service providers are delivering comprehensive, consistent, and high-quality services in a cost-effective manner across the province, the Ministry of Health and Long-Term Care and the Local Health Integration Networks should:

- *improve data-collection mechanisms and reporting requirements to obtain relevant, accurate, and consistent information across the province for performance-monitoring purposes; and*
- *establish provincial standards, performance benchmarks, and outcome measures for at least the more critical programs against which the quality and costs of services can be evaluated.*

Status

The Ministry advised us that it is working to improve data collection from mental-health agencies and has formed an advisory committee that reviews all account codes and their definitions for appropriateness and applicability to the sector. The multi-sectoral service accountability agreements between LHINs and community mental-health organizations require the organizations to meet established financial and statistical reporting criteria. The Ministry also informed us that ongoing data quality feedback and education was being offered to this sector.

The Ministry further advised us that early psychosis intervention standards have been developed but not yet released. All agencies funded to provide early psychosis intervention programs will be expected to adhere to these new standards.

The Ministry informed us that it also has conducted a review of short-term crisis beds that is to help develop standards to address this need. These standards are expected to be finalized by March 2012.

PERFORMANCE MEASUREMENT AND REPORTING

Recommendation 6

To better enable it to assess whether the service providers are delivering services in a consistent, equitable, and cost-effective manner, the Ministry of Health and Long-Term Care should:

- *complete implementation of its comprehensive set of performance indicators and select targets or benchmarks that will enable the Ministry and Local Health Integration Networks to properly assess the performance of service providers;*
- *improve information systems to enable them to collect complete, accurate, and useful data on which to base management decisions and to help determine if services provided are effective and represent value for money spent; and*
- *report periodically to the public on the performance indicators for the community mental-health sector.*

Status

The Ministry informed us that a steering committee consisting of ministry and LHIN representatives is developing performance indicators, including those related to mental health. These indicators are to become part of the next accountability agreement now under development between the LHINs and the mental-health service providers.

At the end of the 2009/10 fiscal year, the Ministry told us that 91% of all community mental-health and addiction organizations met reporting requirements for financial and statistical data. According to the Ministry, new financial and human resources/payroll systems have been implemented for some organizations to simplify the processes for setting up and maintaining account information and for tracking data, and to streamline the process for submitting data to the Ministry.

The first two-year, multi-sectoral service accountability agreements include provisions for regular review of health-service providers, provisions to meet reporting requirements, and penalties in the case of non-compliance.

The Ministry indicated that it would consider the public reporting of performance indicators for the community mental-health sector.

MONITORING AND ACCOUNTABILITY

Recommendation 7

To ensure that all partners in the community mental-health sector—the Ministry, the Local Health Integration Networks (LHINs), and the service providers—are accountable to Ontarians for the effectiveness and quality of services, the Ministry should:

- *develop compliance mechanisms to monitor the LHINs' accomplishment of their stated priorities and provide feedback to the LHINs for improvement of their operations; and*

- *review settlement packages on a timely basis to ensure that funding is being spent in accordance with ministry guidelines and that significant funding surpluses are being recovered from service providers.*

The Local Health Integration Networks should:

- *develop guidelines together with the Ministry on monitoring service providers that include requirements to monitor significant third-party contracts and to ensure that community mental-health funding is being well spent.*

Status

According to the Ministry, LHINs are required to provide it with an annual progress update on their identified priorities. The Ministry informed us that its staff review and analyze this information and provide the LHINs with an opportunity to explain any variances and revise their targets and implementation as necessary.

The Ministry informed us that as of May 31, 2010, it had reviewed 98% of the backlog of settlement packages up to and including those from the 2006/07 fiscal year. This substantially meets its commitment made at the time of our initial audit to clear this old backlog by March 31, 2009.

As well, the Ministry had completed 85% of the 2007/08 fiscal year settlements and the remaining 15% was under review. All settlements with material balances were expected to be completed by August 31, 2010.

In addition to working toward the elimination of the settlement backlog, the Ministry also informed us at the time of our follow-up that it had completed 30% of the 2008/09 fiscal year settlements.

In February 2009, the Ministry and the LHINs developed draft audit and review guidelines for hospitals that provide mental-health services. According to the Ministry, similar audit and review guidelines are currently under development for community agencies.

Chapter 4
Section
4.07

Ministry of the Attorney General

Court Services

Follow-up on VFM Section 3.07, *2008 Annual Report*

Background

The Court Services Division (Division) of the Ministry of the Attorney General (Ministry) supports the operations of the province's court system, with over 260 courthouses and office facilities and approximately 3,000 support staff. The Division's expenditures for the 2009/10 fiscal year were $403 million ($405 million in 2007/08): $148 million ($156 million in 2007/08) to operate the offices of the Judiciary (judges and justices of the peace) and for salaries and benefits for provincially appointed judges and justices of the peace; and $255 million ($249 million in 2007/08) for staffing and other costs required to support court operations. In addition, the Ministry spent about $70 million ($77 million in 2007/08) on capital projects to improve court buildings. Revenues, primarily from fines and court fees, were approximately $140 million ($124 million in 2007/08).

In our 2008 audit, we noted that, to reduce the serious case backlog in the courts, the Ministry had undertaken a number of initiatives, worked collaboratively with the Judiciary, and increased operating funding for courts over the past five years. Despite these efforts, we noted, as we had in our previous audits in 1997 and 2003, that the backlogs had continued to grow; at the time of our audit in 2008, they were at their highest level in 15 years.

Our more significant observations in our *2008 Annual Report* were as follows:

- For the five-year period from 2004 to 2008, the number of criminal charges pending grew by 17%, to over 275,000, while the number of charges pending for more than eight months increased by 16%. Ministry initiatives to address criminal case backlogs in certain courthouses were insufficient to handle the growth in new criminal charges. Backlogs for family cases, including those relating to child protection, also continued to grow.
- The Ontario Court of Justice might not have sufficient judicial resources to meet the increased demand for judicial decisions. To be comparable to other provinces, Ontario would have to hire significantly more judges and justices of the peace, as well as providing additional court facilities and support staff.
- The Ministry did not yet have adequate information on the reasons for an over 50% increase during the 10 years from 1997 to 2007 in the number of defendant court appearances before a case goes to trial, despite this being one of the main causes of the growing backlog.
- Qualifying low-income defendants experienced difficulties in obtaining funding from Legal Aid Ontario, leading to delays and more frequent court appearances.
- The Ministry had made little progress in implementing new technologies to improve

the efficiency of the courts, especially for handling criminal cases.

- The Ministry had not formally assessed the significant differences in court operating costs in the various regions of the province. For example, it cost up to 43% more to dispose of a case in the Toronto Region than elsewhere.
- There continued to be no minimum standard applied for security in court locations across the province.

Following our fieldwork, in June 2008, the Ministry for the first time announced publicly stated targets for reducing the provincial average of days and court appearances needed to complete criminal cases: it aimed to reduce these by 30% over the next four years.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

Status of Recommendations

According to information received from the Ministry, some progress is being made in addressing our recommendations. However, given the size of the backlog of charges pending and the need for better use of technology and information systems, and for co-operation from all participants in the justice system, additional time will be needed before the Ministry is able to substantially implement many of them. Overall, the backlog of criminal charges pending for more than eight months in the Ontario Court of Justice (the main criminal court) is about the same as it was at the time of our 2008 audit.

The status of the action taken on each of the recommendations is described in the following sections.

CASE BACKLOGS AND COURT EFFICIENCY

Recommendation 1

The Ministry of the Attorney General should work with the Judiciary and other stakeholders to develop more successful and sustainable solutions for eliminating backlogs in criminal, family, and civil courts, including:

- *creating better tools to identify the sources and specific reasons for delays and more frequent court appearances so that action can be taken to address potential problems in a more timely manner;*
- *assessing the resource implications of actions taken and decisions reached by the different parties to a trial so that resources allocated to courts can handle the increased caseloads; and*
- *establishing realistic targets and timetables for eliminating the current backlogs.*

In addition, the Ministry should assess the impact, both quantitatively and qualitatively, that backlogs have on the courts, stakeholders, and the public and use this information to establish benchmarks for measuring improvements.

Status

The Ministry, along with its justice partners, has made some progress in addressing backlogs in its criminal, family, and civil courts, and action was continuing at the time of our follow-up. It advised us that it had implemented initiatives to identify causes of backlogs and improve procedures, although improvements to its information systems in collecting this type of information will not be completed until 2012. The Ministry was in the process of assessing the effects that the actions of the parties to a trial have on allocation of court resources. The Ministry indicated that, through the engagement of all justice-system participants in initiatives such as the Justice on Target (JOT) strategy, it would develop strategies to utilize the existing resources to increase the effectiveness of the justice system.

Actions with regard to each of the three courts is outlined in the following.

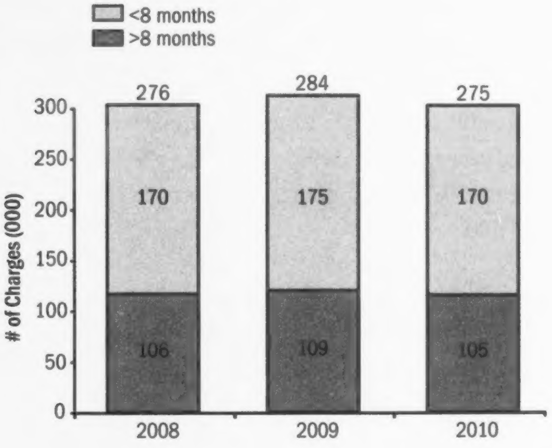
Criminal Cases

Figure 1 shows that the backlog of criminal charges pending for more than eight months in the Ontario Court of Justice (OCJ) as of March 31, 2010, was approximately 105,000, which was not significantly different from the number at the time of our 2008 audit. In addition, no significant progress has yet been made in reducing two key measures of court efficiency: in 2009, it took on average 9.1 court appearances to dispose of a criminal charge, compared to 9.2 in 2007, and the average number of days needed to dispose of a charge has slightly increased to 210 from 205 in 2007. Nevertheless, backlogs have experienced a small decrease from 2009 to 2010, reversing the trend over the last decade.

The JOT strategy, introduced in June 2008, is meant to reduce by 30% by 2012 the average number of days and court appearances required to dispose of a criminal charge. Under this strategy, all justice system participants work together to reduce delays. Local Leadership Teams were initially established at three courthouses to analyze all the steps in the criminal process leading to a trial or other disposition of a charge. From these analyses, seven initiatives were implemented at these three courthouses in June 2009, including streamlining legal aid, clarifying expectations for court appearances, and encouraging plea hearings and earlier resolutions. According to information we received from the Ministry, some progress had been made under JOT. At the initial three participating courthouses, the average number of days needed to dispose of a charge declined by 7%, 13%, and 5% respectively from 2008 to 2009; the average number of appearances declined by 12% and 11% respectively in two courthouses, but increased by 3% at the third.

Figure 1: Ontario Court of Justice—Three-year Summary of Average Age of Criminal Charges Pending, March 2008–March 2010

Source of data: Ministry of the Attorney General



An additional eight criminal courthouses began participating in the JOT strategy in the last half of 2009. We were informed that all other criminal courthouses in Ontario were expected to be participating by fall 2010.

Family Cases

According to information we received from the Ministry, the number of child protection cases pending over 120 days decreased from 5,500 in February 2008 to about 5,000 in March 2010, or by about 9%. However, of the approximately 10,600 child protection cases disposed of in the 2009/10 fiscal year, almost 50% took over 120 days, the same percentage as two years earlier. The number of family cases pending over 200 days rose to over 105,000 from February 2008 to March 2010, an increase of 20%.

We noted that in December 2009, the Attorney General announced a strategy to improve the processing of family cases, including steps to support, streamline, and simplify cases. According to the Ministry, these changes are in place at two courthouses, with a plan to expand them to others in the future. The Ministry was also working with the Judiciary and justice partners to develop and implement measures to reduce unnecessary delays in child protection cases.

Civil Cases

According to information we received from the Ministry, some improvement had been made in reducing the time it takes to resolve civil cases. The average number of days needed to dispose of a civil case had fallen from 576 in the 2007/08 fiscal year to 527 in 2009/10, a decline of about 9%. However, the percentage of civil cases pending trial or resolution over 12 months remained at 41% over the same period.

As we noted in our *2008 Annual Report*, in June 2006 the Ministry established the Civil Justice Reform Project to review potential areas for reform and make recommendations for a more accessible and affordable civil justice system. As a result of the recommendations released in 2007, a number of amendments were made to the civil court rules, and the Small Claims Court monetary limit was increased. These changes came into effect on January 1, 2010. We were advised that the Ministry would be monitoring and evaluating the impact of the new rules and monetary limits, including their impact on the time needed to dispose of cases.

ADMINISTRATIVE STRUCTURE OF THE COURTS

Recommendation 2

To help ensure that the courts function effectively and to improve the stewardship of funds provided to the courts, the Ministry of the Attorney General and the Judiciary should maximize the benefits from their improved relationship to enhance their administrative and management procedures by establishing:

- *a process whereby they regularly assess the administrative structure of the courts and the Ministry/Judicial relationship against desired outcomes; and*
- *realistic goals, plans, and timetables for the timely and effective resolution of issues related to court operations, such as the reduction of case backlogs and improvements to technology, information systems, and security in courts.*

Status

The Ministry informed us that it continues to work with the Judiciary to maximize co-operation in court administration while respecting the independence of the Judiciary. The 2006 amendments to the *Courts of Justice Act* specify goals for the administration of the courts, clarify ministry and judiciary roles and responsibilities, legally recognize the memoranda of understanding established between the Ministry and the Judiciary, and require the Ministry to publish an annual report on court administration. Separate memoranda of understanding have been established between the Attorney General and the Chief Justices of the Ontario Court of Justice and Superior Court of Justice that further set out their roles, responsibilities, undertakings, and expectations, as well as a process for regularly assessing and discussing their collaborative relationship. We were informed that the Chief Justice of the Court of Appeal will soon sign that court's first memorandum of understanding with the Attorney General.

Ministry staff meet regularly and participate on several committees with representatives of the offices of the Chief Justices and local levels of the Judiciary to identify and address needs and priorities, and to participate in initiatives such as JOT, and others, to improve information and video technology and court security.

The Court Services Division Five-year Plan, contained in its published annual report, sets out goals, plans, and timetables to address priority needs identified by the Ministry and the Judiciary. As discussed elsewhere in this follow-up report, we also noted progress in establishing plans and, in some cases, targets, with judicial involvement, for addressing longstanding issues in court administration and security.

INFORMATION SYSTEMS AND THE USE OF NEW TECHNOLOGIES

Recommendation 3

To modernize court operations, achieve cost savings and efficiencies for courts administration and other stakeholders—such as police and correctional services—and improve public safety, the Ministry of the Attorney General should expedite its efforts and establish plans and timetables to introduce various proven technologies and to upgrade information systems. In particular, it should:

- *ensure that its analysis of the applicable technologies utilized in other provinces is sufficiently thorough; and*
- *use video technology for in-court appearances unless the accused can make a valid argument for the necessity of an in-person appearance.*

Status

The Ministry informed us that it was making progress in a number of initiatives to introduce new technologies and upgrade information systems for court administration. We were informed that the Ministry had conducted studies of mature and proven IT technologies already in use in other court systems. For instance, in May 2008, it conducted research on in-courtroom technologies used by other jurisdictions, such as videoconferencing and electronic evidence display. However, further adoption of these technologies was taking longer than the Ministry had targeted in 2008.

In summer 2008, the Ministry assessed technologies offered by vendors, or used in other jurisdictions, for its project to develop and introduce a new, unified Court Information Management System (CIMS) to perform all the functions of the Ministry's current criminal, family, civil, small claims, and estate legacy applications. The Ministry determined that no one vendor offered a court information management system that could replace its existing legacy systems and that the costs and risks of migrating to a new system using several vendors would be high.

Instead, the Ministry decided to develop an information system that integrates its existing systems with enhanced functionality. In November 2009, Treasury Board approved almost $10 million in funding for the CIMS project. According to the Ministry, a first version of CIMS is expected in spring 2012.

At the time of our follow-up, the Ministry was also in the process of converting its court recording systems from analog to digital for 146 courthouses. A vendor had been selected using a tender process, and the conversion is expected to be completed by the end of the 2011/12 fiscal year.

The Ministry indicated that dialogue was continuing with the Judiciary and justice partners on the use of video technology for courtroom appearances, and it was still in the process of developing strategies to increase its use and establishing regular reporting on its use in courtrooms, which we considered necessary for the Ministry to address our recommendation. Additional information we received from Justice Technology Services, which provides videoconferencing services to both courts and correctional facilities, indicated that video appearances in courts as a percentage of total in-custody appearances averaged 36% in 2009, a small increase over the 2007 percentage of 35%.

FINANCIAL INFORMATION

Recommendation 4

In order to manage court financial resources effectively, the Ministry of the Attorney General should:

- *identify and collect information needed from its court operations and other provinces to allow for comparing and assessing the costs of delivering court services in the various regions in the province;*
- *establish benchmarks for appropriate costs for delivering court operations; and*
- *use the information gathered to ensure that financial resources are allocated to its courts on the basis of their relative needs.*

Status

Some limited progress has been made in identifying and collecting information across the province that would allow for the comparison of costs by key activities, such as judicial support and case tracking. We were informed that the Ministry was in the process of assessing court operating costs by practice area (criminal, family, civil, and small claims) but that this assessment had not been completed.

In February 2010, the Ministry took the initiative in issuing a survey through the Association of Canadian Court Administrators to obtain information on how other Canadian jurisdictions report and manage court costs. We were informed that only two provinces and one territory responded to the survey and that the Ministry was considering follow-up discussions to determine the usefulness of comparative information. The Ministry expected the survey analysis to be completed by fall 2010.

The Ministry indicated that it continues to gather information that allows for the comparison of costs between regions and courthouses by total court activities. The Ministry uses key workload indicators, such as overall court hours, new proceedings, and the anticipated occurrence of major trials, to determine annual adjustments to regional and local court funding.

CAPITAL PROJECTS

Recommendation 5

In order to ensure that court facilities meet the immediate and long-term needs of the justice system and do not act as an impediment to resolving the chronic backlogs of cases, the Ministry of the Attorney General, in consultation with the Judiciary, should establish definitive plans and timetables for satisfying existing shortfalls and meeting forecast demands for courtroom facilities.

Status

The Ministry has indicated that as part of the Court Construction Program, one new consolidated courthouse was fully operational as of the end of February 2010, approvals had been received for five others, and planning studies had been undertaken or were in progress for nine others. The Ministry stated that it is currently prioritizing the capital projects to be undertaken in the 2010/11 fiscal year.

We were informed that the Ministry addresses the shortfall in courtrooms through its annual infrastructure planning process. According to the Ministry, this process is supported through regional accommodation workshops, annual revisions to the courtroom forecasting model, and consultations with the Judiciary and other stakeholders through various accommodations and planning committees.

The Ministry updated its courtroom forecasting model in January 2010. Using a base year of 2008 for which it noted a shortfall of 140 courtrooms, it forecast the need for 88 additional courtrooms by 2031, for a total of 228 more courtrooms.

COURT SECURITY

Recommendation 6

To ensure the safety of the Judiciary and persons involved in court proceedings, the Ministry of the Attorney General should prioritize and set timetables for addressing safety deficiencies in the design of existing courthouses and evaluate and resolve any barriers that exist with its municipal partners for achieving an appropriate and consistent level of security in all court locations.

Status

In October 2008, the province announced its acceptance of the final recommendations of the Provincial-Municipal Fiscal and Service Delivery review, which was established to examine and update provincial-municipal arrangements. The Review will result in removing court security and prisoner transportation costs from municipal budgets by 2018, to a maximum of $125 million per year, and phasing in the upload of these costs equally over seven years starting in 2012. In addition, the Ministry will work with the Ministry of Community Safety and Correctional Services, the

Association of Municipalities of Ontario, and the City of Toronto to collect current data on court security costs and other matters, and to develop court security standards. We were informed that the Ministry had established several working groups to implement the changes and had undertaken research to identify court security standards used in other parts of Canada and internationally. The Ministry plans on having developed a framework for court security standards by 2012 to coincide with the fiscal upload.

The Ministry stated that it had completed, or by 2012 it would complete, major security projects as well as perimeter and judicial security enhancements, in a number of locations around the province. In addition, we were informed that threat risks assessments for 99 courthouses and 33 offices across the province and building physical security plans would be finalized by fall 2010.

COLLECTION OF FINES

Recommendation 7

To improve collection of outstanding fines and better ensure that fines act as an effective deterrent to re-offending, the Ministry of the Attorney General should:

- *conduct a formal assessment of more vigorous enforcement measures and implement those that can help to enforce the payment of court-levied fines; and*
- *establish benchmarks for comparing its collection rate of fines with other similar jurisdictions.*

Status

The Ministry indicated that a review by the *Provincial Offences Act* Streamlining Working Group involving provincial and municipal participation was completed in September 2009. As a result of this review, the Ministry implemented a number of recommendations related to *Provincial Offences Act* fine collection in the *Good Government Act, 2009*, which came into force in December 2009. The *Good Government Act, 2009* expanded the enforcement measures available to municipalities by granting them the authority to add unpaid fines under the *Provincial Offences Act* to property tax bills, allowing municipalities to recover the cost of using collection agencies along with defaulted fines, and repealing the two-year limitation period for initiating civil enforcement of defaulted fines.

We were informed that the findings of the Working Group were being reviewed for their applicability to the Ministry's collection of *Criminal Code* fines. At the time of our review, the Ministry had introduced no new enforcement measures.

In February 2010, the Ministry sent a survey to all Canadian jurisdictions through the Association of Canadian Court Administrators asking about the jurisdictions' effectiveness in collecting *Criminal Code* fines and about the enforcement tools they used. Four provinces and one territory responded. The Ministry's review of those responses found that only one province reported details on fine collection and performance indicators. However, this province's reports pertain to all types of fines, which made them incomparable to Ontario's separate reports on *Criminal Code* fines. Therefore, the Ministry concluded it was unable to establish benchmarks with other provinces for the rate of fine collection.

We noted that the amount of fines imposed annually remained constant over the last three years at approximately $17 million each year, of which $12 million, or about 70%, was paid either voluntarily or as the result of collection efforts. Nevertheless, the total value of outstanding fines as of March 2010 had decreased by 22%, from about $36 million in March 2008 to about $28 million, largely because the Ministry wrote off almost $16 million in fines in the 2008/09 fiscal year. Also, during 2009, the Collection Management Unit of the Ministry of Government Services collected an average of 52% of the total defaulted fines, an increase from 43% in 2007.

OVERSIGHT OF MUNICIPALLY ADMINISTERED COURTS

Recommendation 8

To support municipalities in their operation of courts and collection of Provincial Offences Act *fines, the Ministry of the Attorney General should ensure that an adequate number of justices of the peace are appointed in a timely manner and consider providing municipalities with stronger enforcement measures. As part of its oversight role, the Ministry should also monitor the impact on municipal charging practices of its policy decision to allow municipalities to keep any related fine revenue resulting from charges under the* Provincial Offences Act *and the* Highway Traffic Act.

Status

We were informed by the Ministry that the Justices of the Peace Appointments Advisory Committee, established in 2007, advertises openings, and screens and evaluates justice of the peace candidates. The committee then forwards a list of candidates to the Attorney General for consideration in filling vacancies that are identified by the Office of the Chief Justice (OCJ). The OCJ provides reports to the Ministry identifying justice of the peace vacancies.

We were informed by the Ministry that since our 2008 audit, the Attorney General has appointed 17 justices of the peace across the province. As of March 2010, there was the equivalent of 345 justices of the peace in the OCJ. The Ministry advised us that there were no outstanding requests to increase this complement.

As noted earlier, the *Good Government Act, 2009* expanded municipalities' enforcement abilities, authorizing them to add unpaid fines under the *Provincial Offences Act* to property tax bills.

With respect to the Ministry's oversight role, the Ministry has indicated that it continued to collect and analyze *Provincial Offences Act* court-activity data on a monthly basis; however, the Ministry maintains that it has no plans to assess municipal charging practices, as the decision to lay a charge is within the sole discretion of an enforcement officer.

PERFORMANCE REPORTING

Recommendation 9

In order to meet its legislated requirements and to build on its progress to date in providing the public with meaningful and timely reporting on the success of its courts administration program, the Ministry of the Attorney General should:

- *develop performance indicators for all of its legislated and internally established goals and operational standards, such as time to trial, court backlogs, and operational costs; and*
- *publish its annual report to the public within six months of its year-end as required by legislation.*

Status

The Ministry has indicated that it was in the process of developing performance indicators for all of its legislated and internally established goals and operational standards. According to the Ministry, the performance measures are to include both internal and external measures, and consideration was given during the development process to the performance measures recommended by the National Center for State Courts, a U.S. non-profit organization with expertise in court administration. According to the Ministry, the proposed measures were in the approval process and would be finalized by the end of the 2010/11 fiscal year.

As required by the Ministry of Government Services' OPS Service Directive, the Court Services Division developed five public-service standards effective January 1, 2010. We were informed that the five standards were posted in court locations across the province and would be measured in the 2010 Client Satisfaction Survey. The Ministry indicated that the results of the Survey are to be reported in the Court Services Division 2010/11 Annual Report.

The Ministry advised us that the Division continues to publish a comprehensive annual report, which now links the Division's legislative goals and published business goals with key initiatives for each goal. Until the new performance indicators are finalized, the Division is continuing to report on activities for each goal, without performance measures. The annual report for the 2008/09 fiscal year was released within the statutory time period and includes multi-year trends of court activity, such as charges or proceedings received, disposed of, and pending for the various courts. However, it does not yet contain information that would allow an assessment of the courts' operational cost efficiency.

The Ministry's website reports on criminal offence statistics for each year by court location and region, and on the Justice on Target Strategy for reducing the average number of court appearances and average length of time needed to dispose of a charge.

Chapter 4
Section
4.08

Ministry of Training, Colleges and Universities

Employment and Training Division

Follow-up on VFM Section 3.08, *2008 Annual Report*

Background

The Employment and Training Division (Division) of the Ministry of Training, Colleges and Universities (Ministry), its local offices, and some 850 service providers offer programs and services to train skilled labour, prepare unemployed Ontarians to enter or re-enter the workforce, help students find summer employment, and assist workers facing business closures or other workforce adjustments. Service providers are third-party organizations such as municipalities, colleges, the YMCA, CNIB, and First Nations groups. Since the signing of the Labour Market Development Agreement with Canada, effective January 1, 2007, the Ministry became responsible for the federal programs referred to as Ontario Employment Benefits and Support Measures. The federal government provided $538 million for these programs in the 2009/10 fiscal year ($529 million in 2007/08) and $53 million for administration ($53 million as well in 2007/08), including salaries and benefits for over 500 staff.

These programs were integrated with the Division's existing employment and training programs, bringing total spending to more than $1.5 billion in the 2009/10 fiscal year ($900 million in 2007/08) to provide improved labour market and re-employment services. Our audit in the 2007/08 fiscal year focused on two pre-existing ministry programs and two of the recently transferred federal programs, which in the 2009/10 fiscal year together accounted for over $510 million ($400 million in 2007/08) in division expenditures.

In our *2008 Annual Report*, we found that although the Ministry had made improvements and increased apprenticeship opportunities and registrations with respect to the two pre-existing ministry programs, for Apprenticeship Training and for Literacy and Basic Skills, less than half of the apprentices had successfully completed their training. Also, we found that half of all apprentices failed their final certification exams. In addition to improving client outcomes, we found that the Ministry needed to reduce funding inequities among Literacy and Basic Skills service providers.

With respect to the two programs transferred from the federal government, Skills Development and Self-Employment, we found that the Ministry needed to take further steps to ensure their consistent and fair delivery across the province. Some of our other observations at that time included the following:

- In 2008, apprenticeship-training consultants at the field offices we visited were unable to conduct more than a few, if any, monitoring visits to employers and in-class training providers. They also noted excessive emphasis on meeting registration targets rather than increasing the number who successfully became certified.

- The Ministry had no formal strategy to increase apprenticeship registrations in high-demand skilled trades, and most of the increase in registrations was in the service sector.
- Most of the responsibility to ensure that only certified individuals work in trades that require certification for safety reasons had been delegated to Ministry of Labour inspectors. Enforcement activity had increased since our previous audit in 2002, particularly in the construction industry. However, at the time of our 2008 audit, the Ministry had not adequately co-ordinated its efforts with the Ministry of Labour and other bodies to ensure effective enforcement in sectors such as motive power (vehicle and equipment servicing).
- We found, and internal ministry reviews confirmed, inconsistencies in how local offices decided how much financial support to provide to clients of the Skills Development and Self-Employment programs: clients in similar financial circumstances may have received significantly different amounts.
- We found some individual client training agreements in the Skills Development program that cost the Ministry more than $50,000 and were not necessarily in line with program objectives. Agreement costs were subsequently capped at $28,000 in June 2008.
- The Ministry did not have adequate information on whether clients remained employed in the fields they were trained for and whether self-employment clients were able to sustain their new businesses.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns. As well, the Standing Committee on Public Accounts held a hearing on this audit in May 2009.

Status of Recommendations

According to information received from the Ministry, substantial progress has been made on many of the recommendations from our *2008 Annual Report*, such as those relating to the Self-Employment Benefit Program. In some instances, further progress will depend on successful implementation of the new Ontario Adult Literacy Curriculum in 2011; the new Employment Ontario Information System by the 2011/12 fiscal year; and the College of Trades, which will begin operation in June 2012. The status of action taken on each of our recommendations at the time of our follow-up was as follows.

APPRENTICESHIP PROGRAM

Tracking Completion Rates

Recommendation 1

To better ensure that apprentices complete their training and contribute to meeting labour market demand for skilled workers, the Ministry of Training, Colleges and Universities should:

- *measure and track apprentice completion and employment rates using methods that permit comparisons among trades and over time as well as benchmarking to other jurisdictions; and*
- *periodically assess the reasons why apprentices fail to complete their training and develop strategies to address the reasons identified.*

Status

The Ministry informed us that it was producing comprehensive reports at the time of our follow-up on employment trends for various trades using the Employment Ontario Information System–Apprenticeship Support Application (EOIS–APPR), a web-based system to support the management, delivery, and reporting of apprenticeship training certification and modular training programs. Among other things, EOIS–APPR tracks client progression from registration to certification.

For its apprenticeship programs, the Ministry advised us that it has created new reports to monitor activity related to completion of in-school training. For example, the Ministry is developing reports that track apprentices through their training toward completion by trade, sector, cohort, and fiscal year for those with or without certificates of qualification and for those in the Ontario Youth Apprenticeship Program. The Ministry advised us that it would use these reports to develop additional strategies to increase apprenticeship completions and certification success.

The Ministry further advised us that it has used evidence from Statistics Canada's 2007 National Apprenticeship Survey concerning apprenticeship completion-rate factors to further define completion, better understand why apprentices fail to complete training, and to provide information for the Ministry's completion strategy that was to be launched in fall 2010. This strategy will include a baseline and completion targets for continuous improvement.

According to a 2009 Peel-Halton-Dufferin Training Board project survey, which included ministry participation, one of the main recommendations to improve apprenticeship completion rates was increased financial support. Since 2008, the Ministry indicated that it has implemented a number of initiatives, including financial support, to keep apprentices in school and to encourage apprenticeship completion.

Monitoring Program Quality and Compliance

Recommendation 2

To better ensure the quality of training and support that apprentices receive in successfully completing their programs, the Ministry of Training, Colleges and Universities should:

- *review its resource requirements in field offices and its caseloads to enable training consultants to conduct sufficient and timely site visits to employers and in-school training providers and to better support their apprentices;*
- *monitor in-school pass rates among programs and service providers and compare them to certification examination success rates, and investigate the reasons for significant differences;*
- *periodically survey apprentices about their satisfaction with the quality of in-school and on-the-job training and any additional supports they received from the Ministry; and*
- *research practices in other jurisdictions that have been effective in improving examination pass rates and implement the best practices identified.*

Status

The Ministry informed us that it has completed a review of the administrative practices within its apprenticeship programs that has resulted in improved reporting of key data to help monitor completions. The Ministry further informed us that it has put more everyday apprenticeship services online, freeing ministry field staff to focus more on apprenticeship needs in areas of economic demand. The Ministry also informed us that it has hired additional field staff to improve delivery of key training programs and services, including apprenticeship services.

The Ministry indicated that the establishment of the Ontario College of Trades to regulate trades and apprenticeship programs, which is to be fully implemented in 2012, is expected to help build strategies to improve registration, completion, and examination pass rates for apprentices through higher-quality programs, services, and training (both in-school and on-the-job).

A 2009 ministry survey found that 88% of apprentices expressed satisfaction with the quality of services received. Although it did not measure quality of training, the 2007 National Apprenticeship Survey found that some 82% of Ontario apprentices received supervision at all times during on-the-job training and that some 80% of the apprentices said the technical training equipment was either "good" or "excellent."

To improve examination pass rates, the Ministry advised us, it began two pilot projects in January 2010 offering certification exams during the last apprenticeship in-school period and pre-certification exam courses based on lessons learned from other jurisdictions.

Addressing Skill Shortages

Recommendation 3

To increase the effectiveness of the apprenticeship program in meeting the demand for skilled workers, the Ministry of Training, Colleges and Universities should develop strategies to attract apprentices to high-demand trades and to help them successfully complete their training.

Status

The Ministry informed us that the Ontario College of Trades (College) is to help address skill shortages when it begins full operations in June 2012. The College is to have a mandate to promote trades and to work with industry to ensure that the apprenticeship system is responsive to its needs. Direct industry involvement will help to ensure that apprenticeship training is better aligned with the needs of the economy and promote industry commitment to training in the trades.

The Ministry advised us that, in the interim, it has identified high-demand trades and determined where gaps exist between projected demand and replacement needs over a 10-year time frame. To attract apprentices and encourage program completion, the Ministry has introduced several initiatives including accelerated in-school training, support to non-EI eligible apprentices during in-school training, completion bonuses for apprentices to complement a new federal program, and bonuses to employers whose apprentices complete training and receive certification.

As well, the Ministry indicated at the time of our follow-up that it was focusing on the green energy sector and funding job fairs and other programs to encourage laid-off workers or students to pursue green job training through apprenticeship or its Second Career program. To assist the Ministry, a Green Advisory Panel of industry and training experts has been established to identify and assess ways to address human resources requirements in the green energy sector, to identify green trends, and to identify emerging technologies along with skills needs and training and curriculum gaps. The panel is also to make recommendations by March 2011 for developing and/or revising curriculum to meet these needs and identify areas of strategic investment in apprenticeships.

Enforcement of Legislation on Restricted Trades

Recommendation 4

To reduce the extent of uncertified individuals working illegally in restricted trades, the Ministry of Training, Colleges and Universities should work with other ministries and bodies that have enforcement responsibilities in industries that require certification to share the plans for and results of enforcement activities and to develop a risk-based strategy for inspecting businesses and work sites in those industries.

Status

The Ministry indicated that it reached an updated information-sharing agreement with the Ministry of Labour in November 2008 whereby the labour ministry is to provide statistics on enforcement activity and early notification regarding enhanced inspection activities. However, the Ministry informed us at the time of our follow-up that it is still in the initial stage of developing a risk-based strategy for inspecting businesses and work sites. In addition, the Ministry informed us that it was in the process of drafting a similar information-sharing agreement with the Ministry of Transportation regarding the enforcement of the automotive services trade. This agreement was to be finalized by fall 2010.

The Ministry informed us that it plans also to work with the College on enforcement strategies since the College will have the mandate to initiate compliance enforcement measures for restricted trades. The Ministry also informed us that it expects the Ministry of Labour will continue to perform an enforcement function for compulsory trades in partnership with the College.

Apprenticeship Training Tax Credit

Recommendation 5

To ensure that the Ontario Apprenticeship Training Tax Credit (ATTC) is effective in helping to expand apprenticeship interest and opportunities and meet labour market needs, the Ministry of Training, Colleges and Universities should work with the Ministry of Finance to evaluate whether it is achieving the expected outcomes and whether improvements are needed to enhance its effectiveness.

Status

The Ministry advised us that it has consulted with the Ministry of Finance to evaluate its ATTC administration. The evaluation is to be used to recommend any measures needed to help increase apprentice registrations to meet labour market needs, to contribute to apprentice retention, and to encourage more employers to hire apprentices.

The Ministry indicated also that it was working with the Ministry of Finance and the Canada Revenue Agency to revise program forms, employer resource materials, and processes as necessary to facilitate ATTC claim reporting and processing.

ONTARIO SKILLS DEVELOPMENT PROGRAM

Outcome Monitoring and Reporting

Recommendation 6

To better gauge the effectiveness of the Skills Development Program in training clients for sustainable employment, the Ministry of Training, Colleges and Universities (Ministry) should establish targets for each region based on performance indicators that the Ministry has agreed to with Service Canada; track performance in relation to these targets; and develop and report on more informative performance indicators such as whether clients remain employed in the jobs they were trained for.

Status

The Ministry informed us at the time of our follow-up that it was refining Ontario Skills Development Program performance measures and developing a new reporting system that was to be launched later in 2010 to track performance targets. The Ministry further informed us that it was in the process of conducting a comprehensive outcomes evaluation to determine the extent to which Ontario Skills Development and Second Career participants are training to enter careers that fill labour market needs.

The Employment Ontario Information System is to enable the Ministry to track the performance indicators required to be reported to the federal government and allow the Ministry to perform more comprehensive tracking and monitoring of clients and outcomes. Meanwhile, the Second Career program surveyed 2,760 Second Career clients in January 2010 who had been scheduled to complete their training on or before September 30, 2009. The survey indicated that 65% of employed clients had found employment in their field of training and that 89% of the clients were "satisfied" or "very satisfied" with the program. A second survey was completed during summer 2010, with the data from both winter and summer surveys combined. This survey showed that 93% of the Second Career clients surveyed completed their skills training program, with 60% of these individuals having found work and 61% of those who found work finding it in their field of study.

Monitoring Program Delivery and Determination of Client Eligibility

Recommendation 7

To better ensure that support decisions are being made consistently and fairly, the Ministry of Training, Colleges and Universities should:

- *establish a formal and objective complaints and appeals process for clients;*
- *track and compare the denial rate for Skills Development applications and investigate the reasons for any significant differences and whether corrective action is needed;*
- *clarify program guidelines for determining basic living allowances and client contributions to training, and provide training to staff on reviewing the reasonableness of financial information provided by clients and on applying the guidelines appropriately; and*
- *establish a consistent province-wide oversight process to periodically assess compliance with program requirements and identify opportunities for improvement or further training.*

Status

The Ministry advised us that it implemented a Skills Training Application Review Process in June 2009 to allow all Ontario Skills Development and Second Career clients whose applications had been denied to request a second review. No person involved in making the original decision is to participate in this review.

In November 2009, the Ministry implemented a tracking system to record all training request denials. The Ministry is to receive aggregate counts of the number of applications reviewed, recommended, or not recommended, as well as new applications received and those still in progress. The Ministry informed us at the time of our follow-up that the data was being analyzed on an ongoing basis and corrective action was being taken as needed.

In order to simplify the delivery of skills-training programs, the Ministry released new guidelines, also in November 2009, under which clients are to be assessed for suitability and financial need in a more transparent and consistent manner. According to the Ministry at the time of our follow-up, the basic living allowance is now subject to a provincial model with maximum limits on each category such as utilities and food as opposed to a local discretionary amount. The Ministry also informed us that the model includes a standardized way to determine household income and the client's ability to contribute. The Ministry further informed us that it trained its staff prior to the guidelines' release to ensure that they are applied consistently and appropriately.

We were informed that, in June 2010, the Ministry made further modifications to the Second Career guidelines, which would allow individuals greater opportunity to qualify under a suitability assessment matrix. These modifications clarified areas of the program guidelines where regional differences had been observed in the matrix. A financial hardship policy was also introduced to ensure a consistent method of providing financial support in cases where the basic living allowance is not sufficient to support a client through the training. The modifications also gave priority to clients who are seeking new skills for a high-demand occupation; have been unemployed for a longer period of time; have a high school education or less, or postsecondary education credentials that are not recognized in Ontario; and are working toward a college certificate/diploma or a licence.

The Ministry indicated that monitoring requirements as well as expectations around training outcomes are now outlined within service-provider agreements to achieve a more consistent oversight process.

Monitoring Program Costs

Recommendation 8

In order to ensure that approved training costs are reasonable and equitable and that the Skills Development Program is available throughout the year, the Ministry of Training, Colleges and Universities should *routinely assess the reasons for significant differences in cost among regional and local offices and whether action is required to reduce these differences.*

Status

The Ministry informed us that although it does not routinely assess the reasons for significant cost differences, it has revised the financial assessment model to reduce cost variations among regions and local offices. The Ministry advised us that a new model, part of the November 2009 guidelines, was being applied across the regions. This continues to be applied with the June 2010 modifications that were made to the Second Career guidelines. According to the Ministry, this has helped in reducing the cost variations across the province.

The Ministry further informed us that approved training costs were reviewed at the local office level on an ongoing basis, that financial caps were adhered to, and that files were being monitored by ministry program officer consultants on an ongoing basis to ensure consistency.

Assessment of Training Options and Costs, Expensive Training Interventions

Recommendation 9

To better ensure that unemployed clients receive cost-effective training with good job prospects, the Ministry of Training, Colleges and Universities should:

- *clarify expectations for assessing training options and costs and for documenting the results of that assessment before agreements are signed; and*
- *reinforce the expectation that files clearly indicate the rationale when more expensive training options are selected and approved.*

Status

The Ministry informed us that its revised November 2009 guidelines spell out what documentation is required to be kept on file and require that training cost effectiveness be considered when assessing suitability. In addition, the guidelines require that the job-training applicant select the most cost effective among at least three different options.

The Ministry also advised us that these guidelines cap tuition fees for private career college courses based on actual costs up to a maximum of $14 per hour and a total of $10,000. However, exceptions are made for three programs to exceed the hourly maximum in recognition of their instructional methods and higher equipment costs (truck driver, heavy-equipment operator, and welder). According to the Ministry, an individual can be approved for training that exceeds the financial caps if the difference becomes part of the client's required contribution to the plan.

SELF-EMPLOYMENT BENEFIT PROGRAM

Program Delivery

Recommendation 10

To ensure that all clients applying to the Self-Employment Benefit program are treated equitably and comply fairly and equally with program requirements, the Ministry of Training, Colleges and Universities should:

- *standardize the criteria used to determine client suitability; and*
- *assess the different policies that offices follow regarding the duration of the support provided and encourage wider adoption of policies that are effective in helping clients succeed.*

Status

The Ministry informed us that it introduced standard program suitability criteria and standard duration of support for all participants in April 2010 after reviewing the Ontario Self-Employment Benefit (OSEB) program and guidelines. OSEB staff are responsible for ensuring that there is evidence that an applicant meets all eligibility and suitability criteria when providing him or her with a letter of support as part of the OSEB application to the Ministry.

The Ministry advised us that new guidelines were created following the OSEB review to address the inconsistent training durations among regional offices. The revised guidelines now include a standardized 42-week training period, with the exception of participants who have a disability.

Contract Administration by Service Providers

Recommendation 11

To better ensure that program participants are successful in starting and maintaining viable businesses and are complying with program requirements, the Ministry of Training, Colleges and Universities should:

- *require service providers to monitor their clients more closely and consistently; and*
- *establish expectations for what should be documented in meetings held with participants, including the nature of any concerns raised and advice and support given.*

Status

The Ministry indicated that as part of the OSEB revised guidelines introduced in April 2010, it implemented more rigorous monitoring requirements for all service providers to ensure that clients are successfully participating in the program and to provide for greater accountability. The guidelines require OSEB co-ordinators to develop mechanisms to monitor each participant's progress throughout the development and implementation of his or her business plan, review and report on the participant's progress, and inform the Ministry of any change in a participant's situation. The OSEB co-ordinators are also to conduct business performance reviews and assist each participant with revising his or her business plan, if necessary. Furthermore, the co-ordinators are to submit monthly reports that identify struggling clients with details about advice or support provided.

In addition, the guidelines include more rigorous direct participant monitoring requirements for the Ministry, as well as standard and comprehensive program indicators and success outcomes to help ensure that OSEB program objectives are being met. The guidelines also establish standards for the documentation to be kept on file for each client.

Ministry Oversight of Service Providers

Recommendation 12

To better ensure that service providers comply with their contracts and that program objectives are achieved in a cost-effective manner, the Ministry of Training, Colleges and Universities should:

- *conduct periodic risk-based contract monitoring visits that focus on the quality of services provided as well as compliance with program requirements;*
- *develop and implement a more comprehensive and informative set of outcome-based performance measures, such as the number and percentage of clients who become successfully self-employed; and*
- *analyze service provider costs on a per-client basis to identify the reasons for significant discrepancies in order to improve service efficiency and identify best practices for sharing among service providers and ministry offices.*

Status

At the time of our follow-up, the Ministry informed us that, in addition to the OSEB guidelines' more rigorous monitoring requirements, it was conducting provider performance site evaluations at least annually. The Ministry further informed us that it was regularly assessing OSEB co-ordinators' organizational capacity and performance. Site visits are also to evaluate the systems and process that track performance against agreement commitments if issues have been identified as well as to monitor outstanding concerns from previous visits.

The Ministry advised us that clients are asked to submit a mid-point OSEB activity monitoring report to determine their perspective on service quality. The Ministry further advised us that an end-of-program survey is being developed to determine the client's perspective on the service provider's overall performance.

The Ministry also informed us that it has created performance indicators for measuring success at different intervals of the OSEB process. These indicators include the number of applicants, the number of clients who completed their business plans, and the number of clients working full-time on their business with the business being the primary source of income at program completion. Further, the Ministry advised us that it will be measuring how many clients are working full time on their business 12 weeks, as well as one year, after program completion.

According to the Ministry, it is undertaking a more comprehensive review of OSEB eligibility criteria, costs on a per-client basis, and financial support to clients in order to compare these factors with those in other ministry programs. The recommendations from this review could be implemented for the 2011/12 fiscal year.

LITERACY AND BASIC SKILLS PROGRAM

Tracking and Reporting Participant Outcomes, Program Funding

Recommendation 13

To obtain adequate information for making appropriate and equitable funding decisions for its Literacy and Basic Skills (LBS) Program and to strengthen accountability, the Ministry of Training, Colleges and Universities should:

- *report separately on outcomes for clients who exit after assessment without receiving any intensive LBS training, for those who exit the program before and on completion, and—three months after they exit the program—for learners who complete the program;*
- *track and report the length of time learners remain in the program and detect any sites that are carrying learners for unusually long periods; and*
- *implement a funding model that recognizes learner outcomes and better matches funding to service levels provided.*

Status

The Ministry informed us that the LBS Program is undergoing transformation, including an improved performance management system, measuring the skills attained by learners, and developing a new curriculum. The Ministry further informed us that its efforts have focused on developing a new Ontario Adult Literacy Curriculum (OALC) with a more consistent approach to literacy and learning that supports the establishment of new performance measures and funding criteria. The Ministry advised us that it was piloting the curriculum at several LBS agencies and that full implementation is expected by January 2011. Changes to the funding model are to be determined once the pilots have been evaluated.

As part of the transformation process, the Employment Ontario Information System (EOIS) is to be utilized for tracking, monitoring, and evaluating outcomes of clients in training or using employment services. The Ministry informed us that migration to EOIS is to take place once program and reporting requirements are developed and after the full implementation of the OALC. According to the Ministry, these components of the EOIS are expected to be available in the 2011/12 fiscal year.

Chapter 4
Section
4.09

Ministry of Agriculture, Food and Rural Affairs

Food Safety

Follow-up on VFM Section 3.09, *2008 Annual Report*

Background

In Canada, the regulatory responsibilities for food safety are shared among all levels of government. At the federal level, Health Canada establishes the policies and standards governing the safety and nutritional quality of food sold in Canada, as well as monitoring the incidence of food-borne disease. The Canadian Food Inspection Agency (CFIA) is responsible for regulating and inspecting federally registered establishments in every province. These are generally establishments that move food across national and provincial borders.

At the provincial level, Ontario's Ministry of Agriculture, Food and Rural Affairs (Ministry) administers a number of statutes aimed at minimizing food safety risks relating to meat, dairy, and foods of plant origin processed and sold exclusively in the province. To oversee compliance with this legislation, the Ministry has systems and procedures for licensing, inspecting, and laboratory-testing various food groups produced and sold in Ontario.

In the 2009/10 fiscal year, total expenditures on food safety were approximately $43 million ($48 million in the 2007/08 fiscal year). In our *2008 Annual Report,* our key observations with respect to the adequacy of the Ministry's procedures to minimize food safety risks were as follows:

- The Ministry is to conduct annual licensing audits of provincial abattoirs (which account for about 10% of all animals slaughtered in Ontario) and freestanding meat processors. We noted that licensing audits found significant deficiencies at a number of plants. Some plants had a deficiency rate of close to 30% for the standards examined, and many deficiencies were repeat violations from previous audits. To better ensure the safety of meat and meat products, the Ministry needs to make sure that timely corrective action is taken when significant violations are found.
- We noted that there had been a lack of systematic follow-up or corrective action to address adverse results from the Ministry's laboratory tests for microbial organisms (bacteria) and chemical substances in meat and meat products. For example, a study of 48 newly licensed freestanding meat processors in the Greater Toronto Area in 2006 to determine the prevalence of pathogens and contamination on equipment and food-contact surfaces found high rates of bacteria. Although the Ministry advised us that a high count of microbial indicators does not, in itself, pose an immediate risk to public health, the results could indicate a lapse in sanitation or a process failure that increases the risk of food-borne illness.
- The Ministry has delegated the responsibility for administering and enforcing various quality and safety provisions of the legislation for cow's milk to the Dairy Farmers of

Ontario (DFO). Laboratory tests are also performed routinely for bacterial content, somatic cell counts (an indicator of infection in the udder), and antibiotic residues, and there are financial penalties for non-compliance. However, we noted that the Ministry had not established a monitoring regime to assess DFO's performance. The Ministry is responsible for inspecting dairy processing plants and distributors, and we noted weaknesses in its processes, such as licences being renewed before an inspection was completed, minimal inspections of distributors, and inadequate documentation of the inspection results. In addition, results from the testing of fluid milk and cheese products showed instances of bacterial counts that suggested a number of processing plants were having difficulty maintaining adequate sanitation standards in their plants.

- For foods of plant origin, there are limited enforceable provincial food safety standards. Nevertheless, the Ministry, on its own initiative, has been collecting samples of fruits, vegetables, honey, and maple syrup and having them tested. In the 2007/08 fiscal year, the Ministry conducted over 2,400 tests and found adverse results for 2% of the samples. The contaminants included lead found in processed honey and maple syrup, chemical residues in fruits and vegetables exceeding Health Canada's maximum allowable limit, and microbial contaminants (listeria and salmonella) in minimally processed vegetables. When non-compliance was detected, the Ministry collected additional samples from the same producers for further testing; the non-compliance rate on those second samples has been about 20%. Although the Ministry could notify and educate the producers regarding its findings, it did not have the enforcement authority for further action.

Finally, we noted that, to manage food safety risks better, the Ministry needed to develop a more comprehensive risk-based strategy to guide its priorities and activities.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

Status of Recommendations

According to information provided by the Ministry, we concluded that it has taken action on all of the recommendations we made in our *2008 Annual Report* and that it has made significant progress on the majority of them. The Ministry indicated that it requires more time to fully address a few of our recommendations, such as implementing its new information management system, benchmarking its performance, and measuring the impact of its activities around food safety in Ontario. The status of action taken on each of our recommendations at the time of our follow-up was as follows.

MEAT

Licensing of Abattoirs and Freestanding Meat Processors

Recommendation 1

To help ensure that licences are issued only to abattoirs and freestanding meat processors that have met its food safety standards, the Ministry of Agriculture, Food and Rural Affairs should:

- *ensure that prompt corrective action is taken by the plant operators when significant deficiencies are found during a licensing audit, and if corrective action is not taken, to consider denying a licence;*
- *review its system of rating abattoirs and freestanding meat processors and provide clear criteria and guidelines so that they reflect more accurately and consistently the facilities' level of compliance; and*

- *update its information system promptly to facilitate auditing and licensing decisions.*

In addition, the Ministry should:

- *periodically update its database of freestanding meat processors so that all are subject to the required compliance audit;*
- *expedite the outstanding licensing audits for the large number of newly licensed freestanding meat processors;*
- *follow up on and address concerns raised by its staff with regard to any potential systemic problems; and*
- *develop compliance standards that are more specific to freestanding meat processors.*

Status

The Ministry indicated that it has implemented a staged protocol for acting on non-compliance. The protocol includes verbal and written warnings, compliance orders, and hearings on licence suspension/revocation. In addition, a new monthly performance report that tracks the percentage of corrected audit deficiencies has been implemented by the Ministry. This report allows program staff to focus on establishments where deficiencies are not being corrected by the required dates.

By February 2009, the Ministry had hired 10 new area co-ordinators to help with tracking corrective actions and deal with compliance issues. Their tasks include, for example, attending compliance meetings, monitoring deficiencies, and drafting compliance letters and orders. The area co-ordinators were also intended to help relieve the administrative burden of area managers so that they can better focus on management of their areas.

According to the Ministry, as of mid-June 2010, over 82% of the deficiencies identified in the 2009/10 fiscal year with corrective action due-dates had been addressed, compared to 67% in the 2007/08 fiscal year. In addition, the meat-plant rating system was revamped, with meat-plant compliance standards now being ranked according to food safety risk to focus compliance efforts on the most significant deficiencies identified.

The Ministry informed us that the review of the audit system for abattoirs and freestanding meat processors was underway. The work completed in this area so far included two projects to review the audit-scoring processes. The Ministry indicated that it plans to apply program improvements—including the simplified meat-plant rating system, and objective scoring—in the 2010/11 fiscal year.

The Ministry has begun the development of a new information management system to maintain client information and statistics; track licensing, inspection, and laboratory testing activities and results; and flag deficiencies for corrective action. A pilot was completed in 2009 and the project was being implemented in phases, with full implementation expected by late 2013.

The Ministry maintains a current list of licensed plants on its website. Approximately 90% of the new plants received their licensing audits in the 2009/10 fiscal year, and most of the 10% that were not audited last year have been audited so far in the 2010/11 fiscal year.

According to the Ministry, organizational changes were made in April 2009 to help ensure consistency in the delivery of inspection services to meat plant operators and address the concerns of staff. In addition, the Ministry completed guidelines specific to freestanding meat plants and issued them to operators in June 2009.

Abattoirs: Inspection and Laboratory Testing

Recommendation 2

To help ensure the safety of food produced at abattoirs, the Ministry of Agriculture, Food and Rural Affairs should:

- *analyze why some plants were showing an abnormally high or low incidence of carcass condemnation rates and follow up to ensure that inspectors are following the inspection criteria consistently; and*
- *ensure that laboratory tests performed are in accordance with the sampling methodology, and*

when the laboratory tests indicate a potential widespread or systemic problem, make suitable changes to its inspection and testing programs.

Status

The Ministry indicated that in March 2009 it developed a statistical routine to facilitate the review of condemnation-rate data. All historical data have been reviewed and an ongoing protocol has been established to allow for identification of anomalies and trends. In addition, the Ministry began including additional training on carcass disposal in its routine inspector training in November 2008, to help ensure that inspection criteria are consistently applied by all inspectors.

The Ministry has developed a co-ordinated formal process to prioritize annual food-testing requirements. As part of this process, for example, several years of test results for water and ice were analyzed in 2008. The Ministry's analysis showed that both immediate and long-term changes to the water and ice testing program were necessary. Recommendations resulting from the analysis were developed and a new, revised water and ice testing program was put into place in the summer of 2010.

Freestanding Meat Processors: Inspection and Laboratory Testing

Recommendation 3

To help ensure the safety of food products produced by freestanding meat processors, the Ministry of Agriculture, Food and Rural Affairs should:

- *ensure that ongoing inspections focus on plants that represent the highest risk;*
- *improve its reporting of inspection results so that better information is available when conducting future inspections of plants with significant deficiencies; and*
- *in light of the findings from its 2006 microbial laboratory testing, take more timely and effective action to correct both systemic issues and food safety concerns about individual processors.*

Status

The Ministry indicated that in March 2009 it had developed a food safety risk management framework to improve the capacity and the consistency of its decision-making. A pilot project using the framework was completed to determine a risk-based frequency of inspection at freestanding meat plants. As a result of this pilot, the Meat Inspection Program developed a risk-classification tool and has used it to evaluate all freestanding meat processors. In August 2010, the Ministry implemented its inspection program, which uses both risk-based frequency of inspection and the new risk classification tool.

The Ministry also indicated that improvements to the manner in which inspection results are reported will be made with the new information management and technology system that is currently under development.

In January 2009, the Ministry implemented routine microbial testing of ready-to-eat meat products from provincially licensed meat plants. Protocols on dealing with adverse results were also put into place. Such protocols include notifying the Canadian Food Inspection Agency and local public health units as well as placing the product under detention and ceasing meat-processing operations at the plant when necessary.

Disposal of Dead Animals

Recommendation 4

To ensure that deadstock operators store, collect, process, and dispose of deadstock in accordance with the legislation, the Ministry of Agriculture, Food and Rural Affairs should:

- *expand its inspection of vehicles licensed to carry deadstock to include those of livestock producers; and*
- *obtain and review inspection reports from the Canadian Food Inspection Agency (CFIA) and follow up on areas not covered by federal inspectors.*

Status

The Dead Animal Disposal Act was replaced by the "Disposal of Dead Farm Animals" regulation under the *Nutrient Management Act* and the "Disposal of Deadstock" regulation under the *Food Safety and Quality Act*. The new regulations came into force on March 27, 2009. To avoid duplication of licensing and inspection, the Ministry has eliminated the need for provincial licences or markers for farmers transporting their own deadstock to a disposal facility. However, a federal permit to move any cattle carcasses off their farms is still required. Commercial deadstock collectors that pick up carcasses from farms continue to be licensed and inspected by the Ministry.

The Ministry informed us that it has been conducting annual inspections of all provincially licensed rendering plants regardless of the CFIA inspection status; therefore it no longer needed to rely on CFIA's inspection reports.

DAIRY

Cow's Milk

Recommendation 5

To ensure that the transfer of responsibility for the safety of cow's milk to the Dairy Farmers of Ontario (DFO) continues to operate effectively, the Ministry of Agriculture, Food and Rural Affairs should establish an oversight process and periodically review the activities of the DFO.

Status

The Ministry has made progress on the written guidelines it has been developing for overseeing the responsibilities delegated to the Dairy Farmers of Ontario (DFO), which include all aspects of the DFO Raw Milk Quality Program. The guidelines were expected to be finalized in late 2010.

In addition, the Ministry indicated that it had developed protocols that allow for easy and secure access to DFO information. As a result of this improved access, routine data-analysis reports had been developed, which include details on the management and communication of test results, the consistent application of penalties, and the inspections of farms for compliance. Ministry staff now regularly review these reports and monitor DFO activities.

The Ministry, with input from Internal Audit, is developing a plan to assess risk and verify compliance with and enforcement of the Raw Milk Quality Program requirements. It is to be implemented in autumn 2010.

Dairy Processing Plants and Distributors

Recommendation 6

To help ensure that licences are issued only to dairy processing plants and distributors that have met the food safety standards established by legislation, the Ministry of Agriculture, Food and Rural Affairs should:

- *before issuing a licence, ensure that the establishment is inspected and that any significant deficiencies, including those found by the Canadian Food Inspection Agency (CFIA), are corrected;*
- *ensure that results of inspections are properly documented; and*
- *follow up on laboratory tests that show unsatisfactory results.*

In addition, the Ministry should ensure that its information system provides adequate information for effective monitoring of dairy processing plants and distributors.

Status

The Ministry indicated that it had been collaborating with CFIA and had received a commitment from them to better co-ordinate and share inspection reports in a timely manner. It also indicated that it had developed risk-based procedures to achieve proper follow-up on adverse laboratory test results. The final protocol was put into place in December 2008.

In July 2009, an interim database for the fluid milk distribution program was created to permit better organization, tracking, and reporting of licensing and inspection information as well as automated generation of routine letters and licence-renewal applications.

As indicated earlier, the development and implementation of a new information management system is underway and was expected to be completed by late 2013.

FOODS OF PLANT ORIGIN

Recommendation 7

In order to ensure that foods of plant origin sold to the public are safe from contamination, the Ministry of Agriculture, Food and Rural Affairs should:

- *work with the province and stakeholders to determine ways to strengthen the legislation to give the Ministry the authority to protect consumers better; and*
- *work with stakeholder groups to develop a more comprehensive inventory of producers, consider options for cost-effective monitoring of food safety in this area, and promote good agricultural practices.*

Status

According to the Ministry, the *Farm Product Grades and Sales Act* was under review as part of the Open for Business initiative over the last two years. Stakeholders had been consulted on the proposal to move the food safety provisions of that Act to the *Food Safety and Quality Act*. Specifically, input was being sought on clarifying the requirements and prohibiting the marketing of contaminated fruit and vegetable products.

In addition, the Ministry indicated that it had been working more closely with federal and other provincial food safety agencies to develop a national approach to food safety for these products. As well, the Ministry was working with industry partners to develop and deliver information and tools such as good manufacturing practices (GMPs) to address food safety issues at processors of plant-origin foods. Several information workshops and training sessions were held for various commodities in the last fiscal year.

The Ministry also informed us that, in 2009, it began to require registration of agri-food premises in the Ontario Agri-food Premises Registry for producers to be eligible for some cost-shared funding programs. When they register their premises, producers are registering the exact geographical location of their enterprises and characterizing the type of agri-food activity taking place on those premises. The Ministry has access to these records of premises for all phases of emergency management, including prevention, detection, and response. This has strengthened its capacity to respond to agri-food emergencies.

CO-ORDINATION WITH CANADIAN FOOD INSPECTION AGENCY

Recommendation 8

To be more effective and efficient in ensuring that our food is safe, the Ministry of Agriculture, Food and Rural Affairs should work with the Canadian Food Inspection Agency (CFIA) to clarify responsibilities and to co-ordinate better the monitoring and enforcement of food safety.

Status

The Ministry informed us that it had been collaborating with CFIA on compliance and enforcement issues in several areas of food safety and quality. The recent focus of the two organizations had been mainly on addressing the recommendations contained in the reports on the listeriosis outbreak of 2008, which also emphasized improved inter-agency co-operation and collaboration between all agencies that have food safety responsibilities.

Common themes of the recommendations were enhancing the food-borne illness outbreak response protocol (FIORP 2010); clarifying roles and responsibilities; improving laboratory capacity and co-ordination; and communicating with the public, with federal/provincial/territorial partners, and with other organizations. FIORP 2010 is the technical, operational, and information protocol that guides how public health and safety authorities work together in the investigation and management of a national or international outbreak of food-borne illness. It was endorsed by federal, provincial, and territorial deputy ministers of agriculture and health in June 2010.

In addition, the Ministry indicated that it has several Memoranda of Understanding in place with CFIA, all of which serve to clarify roles and responsibilities, co-ordinate food safety activities, and facilitate the sharing of information.

FOOD SAFETY STRATEGY

Recommendation 9

To ensure that its food safety programs are more effective and efficient, the Ministry of Agriculture, Food and Rural Affairs should develop a more comprehensive strategic plan that encompasses assessment of risks to food safety, appropriate measures for controlling the risks, and relevant indicators of its effectiveness in ensuring food safety. Given that other jurisdictions are increasingly focusing on the importance of educating the public on how to enhance food safety in the home, the Ministry should work more proactively with its partners on this aspect of food safety in its strategic plan.

Status

The Ministry informed us that it had completed a review of its food safety strategic plan in the autumn of 2008 and again in December 2009, and planned to continue to update it periodically. In addition, a risk-based approach to food safety was developed and implemented with the Ministry's new Food Safety Risk Management Framework. The framework was developed to ensure that informed and consistent food safety decisions are made.

The Ministry also established service standards for all program areas and the results are to be communicated to clients and stakeholders annually. Food safety performance measures were completed by the end of 2008. The Ministry was into its second year of reporting and collecting data. Targets for each performance measure are to be set after three years of data have been collected.

FOOD SAFETY SURVEILLANCE

Recommendation 10

To help ensure that its food surveillance is more effective and to link scientific research more closely to its regulatory programs, the Ministry of Agriculture, Food and Rural Affairs should:

- *develop a more formal process for deciding on and prioritizing its surveillance projects;*
- *improve the sharing of surveillance information and co-ordination among ministry branches; and*
- *analyze the test results from samples submitted by private veterinarians for potential systemic food hazards.*

Status

The Ministry indicated that it had completed a review of surveillance activities and developed a Surveillance Strategy. It decided to pilot the recommendations in the Foods of Plant Origin area. There is to be a report back on the pilot project as well as additional recommendations on a short-term strategy in 2010.

In addition, the University of Guelph's multidisciplinary *Ontario Animal Health Surveillance Network* (OAHSN), which had been operating prior to our 2008 audit, was reconstituted in early 2009. OAHSN integrates information from many sources, including the Animal Health Laboratory, livestock auction markets, and abattoirs. It serves as a link to disease surveillance centres in other provinces, as well as at the national and international levels. The Ministry also informed us that it had been seeking out opportunities to use animal health surveillance data from samples submitted by private veterinarians to the University of Guelph's Animal Health Laboratory to improve food safety programs. A steering committee made up of staff from the Ministry and veterinarians was established to examine the data currently available.

In addition, as part of the Ministry's Animal Health Strategy, the provincial *Animal Health Act* was introduced in the autumn of 2009 and came into force in January 2010. The legislation includes regulation-making powers that would require certain persons, including staff at veterinary laboratories, to report or notify the Chief Veterinarian of Ontario of certain named serious diseases or other hazards of animal health and/or public health significance.

FOOD MANAGEMENT PRACTICES

Recommendation 11

To complement inspection programs and prevent or reduce hazards throughout the entire food-supply chain, the Ministry of Agriculture, Food and Rural Affairs should:

- *work more actively with producers and processors to facilitate industry adoption of good management practices such as the Hazard Analysis Critical Control Points (HACCP) system; and*
- *measure the effectiveness of its programs for financially assisting operators.*

Status

The Ministry indicated that it had completed the development of program strategies for all voluntary food safety programs as of January 1, 2010. As well, food safety performance measures have been developed to gauge awareness and adoption of food safety practices.

In the 2009/10 fiscal year, the Ministry updated its strategic framework for food safety education and training in both the agriculture and food-processing sectors. A performance measurement framework has been put into place to accurately assess producers' and food-processors' knowledge, understanding, and adoption of voluntary food safety practices and programs. The Ministry also reviewed its existing food safety training materials and created some new ones. As of July 31, 2009, over 3,000 producers and processors had participated in ministry training events on food safety since 2007/08.

In addition, the Ministry indicated that it has committed $25.5 million from 2009 to 2013 toward increasing agri-food facility operators' voluntary adoption of food safety best practices and participation in recognized food safety programs (either HACCP or HACCP-based programs). Recommendations from previous program-funding reviews were incorporated into new program guidelines, which included performance measures, application processes, and improved client communications. Service standards were also completed and posted on the Ministry's website in December 2009. They were also incorporated into the round of grant applications that opened on March 1, 2010.

Chapter 4
Section
4.10

Ministry of Revenue

Gasoline, Diesel-fuel, and Tobacco Tax

Follow-up on VFM Section 3.10, *2008 Annual Report*

Background

In the 2009/10 fiscal year, the Ministry of Revenue (Ministry) collected taxes on tobacco, gasoline, and diesel fuel totalling approximately $4 billion ($4.3 billion in 2007/08), or about 6.2% of the province's total taxation revenue from all sources in both years.

At the time of our audit in 2008, we stated that the tobacco tax gap—the difference between the amount of tax that should be collected and the amount that is collected—had increased significantly since our previous audit of tobacco tax collection in 2001. In fact, it was our view in 2008 that the tobacco tax gap for the 2006/07 fiscal year could well have been in the $500-million range, even when taking into account estimated declines in consumption levels.

Regulations under Ontario's *Tobacco Tax Act* limit the total number of tax-free cigarettes a First Nations reserve may purchase. However, a number of manufacturers and wholesalers with operations on reserves sold significantly more cigarettes to reserves than was reasonable. For instance, one of these manufacturers/wholesalers sold, to 16 reserves, an average of 27 cartons per month for every adult band member who smoked, and to another reserve over 400 cartons per month. These quantities are well beyond what could be reasonably assumed to be for personal use and almost certainly included cigarettes destined for sale to non-band members.

Ontario is one of just three jurisdictions in Canada—Nunavut and the Yukon Territory are the others—that do not limit sales of untaxed cigars on First Nations reserves. It was our view, as well as the Ministry's, that the tax forgone on cigar sales to and from reserves is significant. For instance, in the 2006/07 fiscal year, approximately 76 million cigars—over and above the estimated reserve consumption—were sold tax-exempt to First Nations reserves, with the estimated forgone tax exceeding $25 million.

We also stated in 2008 that it was necessary for the Ministry to make significant improvements to its information technology systems, along with changes to its policies and procedures, before the Ministry could be assured that the correct amount of tobacco, gasoline, and diesel-fuel taxes was being declared and paid in accordance with statutory requirements.

For reasons of administrative efficiency, the Ministry has designated manufacturers and certain large wholesalers as tax collectors, responsible for collecting and remitting to the Ministry the applicable amount of commodity tax. These collectors generally charge tax on sales to organizations or persons who do not have collector status, and they also pay and remit tax on products they themselves consume. As a result, the vast majority of commodity taxes are collected and remitted to the province by relatively few collectors. However, at the time of our 2008 audit, there was no process in place to assess the completeness and accuracy of information reported in returns for tobacco, gasoline, and diesel fuel. For example, the Ministry had no way to reconcile reported tax-exempt purchases and sales between designated collectors, or of verifying imports and exports reported by collectors against the independent information submitted by inter-jurisdictional transporters.

Our review of the Ministry's audit coverage for the largest and riskiest collectors noted that although all seven of the large gasoline and diesel-fuel tax collectors had been audited every four years as planned, only a few of the 38 large tobacco tax collectors had been audited at least once every four years as planned.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns. As well, the Standing Committee on Public Accounts held a hearing on this audit in February 2009.

Status of Recommendations

Information obtained from the Ministry of Revenue suggests that the Ministry has made good progress in implementing many of our recommendations. For example, since our 2008 audit, the Ministry has made a significant investment in the ONT-TAXS computer system, which has significantly improved its ability to administer taxes and has enhanced customer service. However, more needs to be done to fully address all areas satisfactorily. As well, because implementation of some recommendations will require co-ordination with other governments, provincial ministries, and enforcement agencies, full implementation of all recommendations will take more time. The status of action taken on each of our recommendations at the time of our follow-up was as follows.

TAX GAP

Recommendation 1

In order to reduce the amount of tobacco tax revenue being forgone, the Ministry of Revenue should assess its policy options for mitigating the incentives for the smuggling and sale of illegal tobacco. Options could include increased sanctions for non-compliance with, and more targeted enforcement of, provisions of the Tobacco Tax Act.

Status

The Ministry informed us that it was co-ordinating its efforts to identify and implement enhanced measures to combat the illegal tobacco trade in Ontario with other levels of government and enforcement agencies. Examples of this co-ordination include:

- engaging First Nations communities in discussions of shared objectives and joint strategies and actions;
- providing greater public education about illegal tobacco and associated risks and penalties; and
- working with federal agencies, the province of Quebec, and other Ontario ministries to identify best practices and to enhance co-ordinated actions.

The Ministry advised us that it was in the process of establishing clear objectives and expected results for this work, and that it was developing other strategies and actions that could be taken. In April 2010, for example, the Ministry established a Tax Programs Project Office, which has a team working under the leadership of a dedicated Assistant Deputy Minister who co-ordinates the efforts of a number of ministries and other organizations to implement the government's plan to address the challenges of illegal tobacco.

In addition, legislation has been strengthened to provide for increased sanctions for non-compliance. Bill 162, which received Royal Assent on June 5, 2009, included:

- new enforcement provisions aimed at individuals, where there are reasonable and probable grounds to believe that the individuals have contravened the *Tobacco Tax Act*;
- authority for the courts to suspend the driver's licence of any person convicted of offences under the *Tobacco Tax Act* involving the use of motor vehicles in the commission of the offence; and
- new provisions that prohibit the possession of any quantity of unmarked cigarettes, unless permitted under the *Tobacco Tax Act*.

Notwithstanding the fact that smoking continues to decline (as reported by the Ministry of Health Promotion), enhanced enforcement activities by the Ministry and its partners have resulted in an increase of $40 million in tobacco tax revenue over the previous fiscal year, as indicated in the 2009–2010 Public Accounts.

BORDER SECURITY AND CONTROL OF THE ILLEGAL TOBACCO TRADE

Recommendation 2

The Ministry of Revenue should consult and work closely with the Canada Border Services Agency, the RCMP, and the OPP to bring to bear the resources and policy changes necessary to deal more effectively with the importation of illegal cigarettes and other tobacco products into Ontario.

Status

The Ministry informed us that the newly established Intelligence Assessment Unit within its Special Investigations Branch (SIB), along with recent collaborative efforts involving other ministries and enforcement agencies, has led to positive results. For example:

- In February 2010, the SIB joined the Cornwall Regional Task Force, which includes the RCMP and the OPP Contraband Enforcement Team, to help combat the illegal tobacco trade in the Cornwall area. The SIB is committed to this initiative, which at the time of our follow-up continued to have a physical presence in the Cornwall area. The Ministry informed us that it intends to assess the effectiveness of the initiative and determine if a permanent presence is warranted.
- SIB also placed an intelligence/tobacco analyst in the RCMP's Cornwall Detachment in May 2010 for a period of between nine and 12 months. The analyst was to help identify trends in illegal border activity, which will allow for improved enforcement targeting based on assessed risk.
- Six recently completed operations in high-traffic areas for illegal tobacco, conducted in co-operation with the OPP, targeted consumers of illegal tobacco and resulted in 338 stops and the issuing of 33 summonses.

In addition, we were advised that during the 2009/10 fiscal year, total convictions under the *Tobacco Tax Act* increased substantially over the previous year.

TOBACCO ALLOCATION SYSTEM ON FIRST NATIONS RESERVES

Recommendation 3

To help meet the intent of the Tobacco Allocation System for First Nations reserves, and to prevent the diversion of untaxed cigarettes to off-reserve sale and consumption, the Ministry of Revenue should ensure that a reserve's purchases from all sources, including on-reserve manufacturers and wholesalers, is limited to the tobacco allocation assigned to that reserve. The Ministry should also consider other options such as greater incentives to First Nations band councils to reduce or eliminate the on-reserve production or purchase of cigarettes for off-reserve consumption.

Status

The Ministry informed us that it has been working with First Nations elected band councils to help ensure compliance with the Tobacco Allocation System. For example, the Ministry has begun discussions and joint work with some First Nations to improve the allocation system and identify other strategies for fighting illegal tobacco activities. The Ministry was also working with the Chiefs of Ontario First Nations to identify areas for joint analysis, research, and public education.

As of March 2010, 85 out of 133 First Nations had signed a Retail Agreement with the Ministry. Under these agreements, band councils assume more control and decision-making and agree to monitor the sales of tax-exempt cigarettes and tobacco to ensure that such sales are made only to First Nations people.

In addition, the Ministry's tax administration system, known as ONT-TAXS, was implemented for the tobacco, diesel-fuel, and gasoline tax programs in April 2010. It is expected to provide more efficient tracking and analysis of the cigarette allocation system by automatically identifying tobacco wholesalers who sell more than their allocation limit for a particular reserve and by producing monthly over-purchase reports.

However, the Ministry acknowledged that much more needs to be done to prevent untaxed cigarettes from being sold off-reserve. The Ministry's recent initiatives notwithstanding, additional enforcement efforts will be needed to ensure that a reserve's actual purchases from all sources do not exceed its assigned tobacco allocation.

CIGAR TAXES

Recommendation 4

To help ensure that the number of tax-exempt cigars sold to First Nations reserves is reasonable and is not diverted to untaxed off-reserve sale and consumption, the Ministry of Revenue should develop and implement an allocation system for cigars similar to that for cigarettes, as is done in most other Canadian provinces, and ensure that it is adhered to.

Status

Although the Ministry had not yet developed an allocation system for cigars at the time of our follow-up, it informed us that it was reviewing options and considering additional strategies for limiting the sale of untaxed cigars at the wholesale level. The Ministry indicated that it first planned to update and improve its current cigarette allocation system, which could then provide a model for a cigar allocation system.

CIGARETTE PRODUCTION AND CONTROL

Recommendation 5

The Ministry of Revenue should assess its various options for ensuring that all cigarettes manufactured and packaged for taxable consumption in Ontario are accounted for and the applicable tax paid. If it decides to continue the use of yellow tear-tape to mark cigarette packages for taxable consumption in Ontario, it should:

- *receive sufficiently detailed information about yellow tear-tape material sold to, and acquired and used by, cigarette manufacturers; and*
- *reconcile the information received to assess the reasonableness of the reported use of yellow tear-tape material in relation to reported taxable sales.*

Status

At the time of our follow-up, the Ministry continued to require the use of yellow tear-tape to mark cigarette packages for taxable consumption in Ontario. We were advised that since our 2008 audit, the Ministry has begun receiving monthly reports from the tear-tape manufacturers on the production and sales of yellow tear-tape material supplied to cigarette manufacturers. The Ministry reviews this information to identify areas of risk and potential audits of manufacturers licensed to mark tobacco products with tear-tape. One such audit was under way at the time of our follow-up and was to include a detailed reconciliation of yellow tear-tape purchased by that manufacturer, compared to reported taxable sales.

As well, the Ministry informed us that a matching process within the ONT-TAXS system flags inventory/use discrepancies between the tear-tape manufacturers' reported sales and the tear-tape used in cigarette manufacturing.

TOBACCO TAX-RETURN PROCESSING

Recommendation 6

To help ensure that all cigarette and cigar production and imports are accounted for, and to help assess the reasonableness of reported taxable sales, the Ministry of Revenue should ensure that it:

- *receives and retains all required tax returns, and that the returns are complete and include all the required detailed schedules;*
- *thoroughly assesses on a sample basis the completeness and accuracy of the reported information; and*
- *diligently follows up on significant, unusual, or otherwise questionable items.*

Status

Following the recommendations of our *2001 Annual Report*, the Ministry introduced additional registration and reporting requirements for manufacturers and transporters of tobacco products. As an interim measure, manual checklists were then developed to help verify the completeness of information on returns and the ultimate tax liability declared.

The Ministry informed us that in April 2010, the tobacco tax program was successfully transferred to the ONT-TAXS computerized information system using revised returns and schedules that facilitate reconciliation of key data elements. As a result:

- applicable information from tax returns and schedules is now retained;
- the reported information is better assessed for completeness and accuracy; and
- where possible, manual processes for return processing and verification have been automated to enhance efficiency and effectiveness.

We were also advised that the Ministry's internal audit unit was developing a strategy for reconciling cigarette and cigar production and imports with reported taxable sales on a sample basis.

GASOLINE AND DIESEL TAX-RETURN PROCESSING

Recommendation 7

To help ensure that all gasoline and diesel production can be accounted for, and to help assess the reasonableness of reported taxable sales, the Ministry of Revenue should ensure that:

- *all returns received are completed and include, for example, all required detailed schedules and documentation;*
- *it thoroughly assesses on a sample basis the completeness and accuracy of the reported information;*
- *it diligently follows up on significant, unusual, or otherwise questionable items; and*
- *it expedites its planned implementation of a computerized tax-return-processing function.*

Status

The Ministry informed us that as an interim measure, procedures were updated and manual checklists developed to assist with the verification of tax liability and the completeness of information on the tax returns.

In April 2010, the gasoline and diesel-fuel tax programs were successfully transferred to the ONT-TAXS computerized information system using revised returns and schedules that facilitate reconciliation of key data elements, the benefits of which are similar to those noted earlier for tobacco tax returns.

The Ministry also advised us that questionable items are regularly referred to audit for follow-up.

GASOLINE TAX EXEMPTIONS

Recommendation 8

To help ensure that gasoline tax refunds are only issued for eligible gasoline purchases, the Ministry of Revenue should:

- *exercise more vigilance in its review of refund vouchers and, where information is questionable or missing, ensure that an appropriate follow-up with the retailer is done prior to allowing the claim; and*
- *strengthen its procedures for the issuance and cancellation of First Nations Certificates of Exemption.*

Status

The Ministry informed us that it began a phased rollout of an electronic refund system in September 2008. In April 2010, this system became part of the ONT-TAXS system, with 15 out of 146 reserve retailers now submitting tax-refund claims electronically. The Ministry advised us that the electronic system enhances its ability to validate claims and identify questionable items.

The Ministry was also working with Indian and Northern Affairs Canada to identify opportunities to enhance the verification of Gasoline Tax Exemptions based on a modernized Status Indian identification card.

GASOLINE, DIESEL, AND TOBACCO TAX AUDITS

Recommendation 9

To help ensure that audit work is satisfactorily planned and completed, and clearly determines and demonstrates whether the correct amount of tobacco, gasoline, and diesel tax has been declared and paid, the Ministry of Revenue should:

- *complete audits of the largest and higher-risk designated collectors within the planned four-year periods to ensure that the audits do not fall outside the legal time limits for reassessment;*
- *ensure that all working-paper files are retained and clearly document the work done and decisions made; and*
- *require supervisory review and approval and documentation of decisions made, both at the planning stage of an audit and at the conclusion of fieldwork, to help ensure that work is focused on the areas of highest risk of non-compliance and that the work necessary to mitigate the identified risk is adequately completed.*

Status

At the time of our follow-up, the Ministry had not yet completed audits on many of the largest and higher-risk tobacco tax collectors within the planned four-year period, but we were informed that it planned to do so by 2013. Future audits will be selected using a risk-based audit selection process.

We were also advised that risk-based audit programs have been developed to help ensure that audit work is focused on the areas of highest risk of non-compliance and that training on the new programs has been provided to staff. The Ministry also developed a file documentation package that will retain the working papers electronically and forward them to managers for review and approval.

In addition, audit managers now have a higher level of responsibility to approve and monitor audit work and to document direction and decisions made regarding the audit. An "Audit Manager File Review Template/Checklist" has also been developed and is to be completed and kept as part of the audit file.

FIELD INSPECTIONS

Gasoline and Diesel Inspections

Recommendation 10

To maximize the benefits of its diesel-fuel inspection program, the Ministry of Revenue should:

- *formally assess the likely risk and extent of the use of untaxed fuel in vehicles operating on provincial roads and highways;*

- *develop an inspection strategy that is tailored to the risks identified and that has the best chance of deterring or identifying the illegal use of untaxed fuel; and*
- *assess the results of improving its enforcement efforts before concluding that more inspectors are needed.*

Status

The Ministry informed us that it had completed an operational review of the diesel-fuel inspection program in March 2010 and developed a risk-based model to identify areas of significant risk for inspection. An inspection strategy was also developed to address the risks identified in order to deter the illegal use of untaxed fuel, and inspections were being conducted in accordance with this strategy.

The Ministry also reviewed the geographical territories assigned to its inspectors in the fall of 2008 and realigned some of the territories in order to optimize inspection coverage across the province. This realignment eliminated the need for additional inspectors.

Tobacco Retailer Inspection Program

Recommendation 11

The Ministry of Revenue should assess whether the planned expansion of the Tobacco Retailer Inspection Program is the most effective way to detect and deter sales of untaxed cigarettes, or whether a more concentrated effort at the point of manufacture or importation of untaxed cigarettes into Ontario would yield a better return.

Status

It was the Ministry's view that the Tobacco Retailer Inspection Program (TRIP) has proven effective in limiting the quantity of untaxed/illegal cigarettes available to consumers at the retail level. Although the Ministry is constantly assessing TRIP, it still needs to assess whether this program is the most effective way to detect and deter sales of untaxed cigarettes.

A risk-based tobacco inspection strategy that eliminated the need to visit every retailer each year has been developed and implemented. Since our 2008 audit, TRIP has been conducting approximately 600 inspections per month, or about 7,200 annually, which results in coverage of about half the retailer base each year.

TRIP staff were also assisting the SIB and the OPP with roadside inspections where reasonable grounds exist to believe that a vehicle contains illegal tobacco. These initiatives were focused on consumers with the explicit aim of altering behaviours to help reduce purchases of illegal tobacco.

Chapter 4
Section
4.11

Ministry of Health and Long-Term Care

Hospital Board Governance

Follow-up on VFM Section 3.11, *2008 Annual Report*

Background

Almost all public hospitals in Ontario are governed by a board of directors that is responsible for the hospital's operations and for determining the hospital's priorities in addressing patient needs in the community. In the 2009/10 fiscal year, there were over 150 hospitals in the province (unchanged from 2007/08).

Boards can play a vital role by providing the leadership necessary to ensure that hospitals offer the best patient care possible while functioning efficiently, effectively, and economically. Ineffective boards can detrimentally affect patient care and contribute to inefficiencies. Research in the United States on governance has found a direct link between hospital board practices that focus on quality and higher performance by the hospital, both clinically and financially. Ontario is one of the few provinces in Canada in which hospitals still have their own individual boards of directors. Most other provinces eliminated them when they introduced decentralized models, such as regional health boards, for the delivery of health-care services.

Hospitals report on most matters to one of 14 Local Health Integration Networks (LHINs) across the province, rather than directly to the Ministry of Health and Long-Term Care (Ministry). The LHINs are accountable to the Ministry. In the 2009/10 fiscal year, the total operating costs of Ontario's hospitals were about $23 billion ($20 billion in the 2007/08 fiscal year), of which the Ministry funded about 89%.

In 2008, we surveyed 20 hospital boards with respect to their governance practices and found that many had adopted a variety of best practices, such as an orientation program for new board members and a written code of conduct and confidentiality guidelines. However, many board members who responded to our survey indicated the need for clarification of the specific roles of hospital boards, the LHINs, and the Ministry. As well, many board members identified areas where they felt hospital governance practices could be strengthened. Some of these areas, as well as observations arising from our research, interviews with experts in Ontario hospital governance, and other work, were detailed in our *2008 Annual Report* as follows:

- Ex-officio board members—persons appointed by virtue of their position within the hospital or another organization, such as medical and community groups, volunteers, hospital foundations, and municipalities—may be placed in the challenging position of representing specific interests that might, at times, be in conflict with the hospital's and community's best interests. A survey of hospital boards in the Greater Toronto Area noted that the average board had six ex-officio members, with one board having 12 such members out of a total of 25.

- Almost 70% of board members indicated that information-technology skills were underrepresented on their board, and almost 50% identified legal skills as being underrepresented.
- Only slightly more than half of board members who responded to our survey indicated that the information they received on their hospital's progress toward the achievement of the hospital's risk-management goals was "very useful," with most other members stating that it was just "moderately" or "somewhat useful."
- More than 55% of hospitals have bylaws permitting individuals to pay a small fee or meet other criteria to become "community corporate members," which entitles them to elect the hospital's board members. There is a risk that a hospital's priorities can be significantly influenced if enough board members are elected who have a specific agenda or represent a specific interest group.
- Various Ministry-funded reports have recommended that certain good governance practices, such as facilitating competency-based recruitment and setting term limits for directors, be addressed in legislation. This may warrant review when future amendments to the *Public Hospitals Act* are being considered.
- Good governance practices and lessons learned that had been identified by reviewers, investigators, and supervisors of hospitals experiencing difficulties had not been routinely shared among hospital boards.

Status of Recommendations

According to information provided by the Ministry in spring and summer 2010, progress has been made in addressing several aspects of the two recommendations we made in our 2008 *Annual Report*. Such progress includes legislative changes and additional guidance intended to clarify certain roles and responsibilities and to strengthen hospital governance practices. The status of the actions taken by the Ministry is summarized following each recommendation.

BEST PRACTICES IN HOSPITAL GOVERNANCE

Recommendation 1

The Ministry of Health and Long-Term Care should work with its stakeholders, including the Local Health Integration Networks (LHINs), to help ensure that hospital boards are following good-governance practices, such as:

- *recruiting board members with the required competencies and avoiding any conflicts of interest by, for instance, minimizing the number of non-legislated ex-officio board members;*
- *establishing effective processes for obtaining, when needed, community input that represents the views of the people the hospital serves; and*
- *requiring that management provide concise, understandable, and relevant information for decision-making, including periodic information on what progress the hospital is making in achieving its strategic and risk-management plans.*

As well, the Ministry should work with its stakeholders to develop a process for sharing best practices in governance among hospital boards province-wide.

Status

At the time of our follow-up, the Ministry indicated that it expected recent changes to legislation would help to improve governance practices. For example, changes were made under the *Public Hospitals Act* to help minimize potential conflicts of interest. In particular, effective January 1, 2011, hospital employees and medical staff are no longer permitted to be voting members of the board.

As well, the *Excellent Care for All Act* (the Act) received Royal Assent in June 2010, with most sections coming into force immediately, and the remaining sections coming into force upon development of the associated regulations. At the time of our follow-up, the Ministry indicated that the Act's intent is to strengthen the governance of hospital boards, ensure that patient views and experience are part of the operating and planning processes, and ultimately make quality of care a critical goal throughout hospitals. In particular, the Act requires each hospital to establish a quality committee that reports to the board and makes recommendations to the board regarding quality improvement initiatives and policies. Further, one of the quality committee's responsibilities is to oversee the development of an annual quality improvement plan, which addresses, among other things, the results of required patient satisfaction surveys and patient relations processes (for example, a complaints process). As well, the annual quality improvement plan is to include annual performance improvement targets and information concerning the linking of executive compensation to the achievement of those targets. Further, hospitals are required to create a "declaration of values" for patients after consulting with the public.

The Ministry indicated that the extent of public consultation needed to fulfill many of these new legislated requirements would provide the board with community input. Further, the annual quality improvement plan would provide the board with relevant information for decision-making, risk management, and reporting progress against plans.

Although legislative changes do not address recruiting board members with the required competencies, minimizing the number of ex-officio board members, or establishing term limits for board members, the Ministry noted that the Ontario Hospital Association (OHA) continues to provide hospitals with guidance on board governance. Further, the Ministry continues to support the OHA's role in sharing best practices in hospital governance through the OHA's *Guide to Good Governance* and the OHA's various learning opportunities for hospital board members.

OVERSIGHT OF HOSPITAL BOARDS

Recommendation 2

The Ministry of Health and Long-Term Care should:

- *as recommended in various Ministry-initiated reviews, consider incorporating good-governance practices, including those that would facilitate competency-based recruitment and set term limits for directors, into future changes to legislation or other requirements;*
- *clarify the respective roles and responsibilities of hospitals, Local Health Integration Networks (LHINs), and the Ministry;*
- *encourage the LHINs to ensure that key information is shared between LHINs and hospitals to assist hospital boards in working effectively with the LHINs; and*
- *in conjunction with the LHINs, develop a process to summarize and share key issues and recommendations arising from external reviews—such as those from peer reviews, investigations, and supervisor appointments—to assist hospital boards in recognizing and proactively addressing similar issues at their hospitals.*

Status

As discussed in more detail under Recommendation 1, at the time of our follow-up the Ministry indicated that legislative changes were expected to strengthen hospital boards' governance practices. Further, the Ministry continued to support the OHA's role of sharing best practices (such as those for competency-based recruitment and term limits for directors) that are not part of the legislative changes.

With respect to clarifying the respective roles and responsibilities of hospitals, LHINs, and the Ministry, the Ministry noted that it is responsible for establishing legislation, provincial standards, guidelines, and policies. LHINs are responsible for managing their local health service providers, including hospitals, and working with them to ensure compliance with provincial legislation, standards, and guidelines. The Ministry also indicated that a number of initiatives had been put in place since 2008. In particular, the roles and responsibilities of hospitals and LHINs had been clarified with respect to the integration of services in the *Local Health Integration Network/Health Service Provider Governance Resource* and *Toolkit for Voluntary Integration Initiatives*. As well, in February 2009, draft guidance was issued regarding LHIN-initiated audits and reviews of hospitals, including indicators that serve as an early warning for the need for intervention. The Ministry noted that work is under way to finalize this guidance. Further, in October 2009, the Ministry-commissioned *LHIN Guide to Good Governance* was issued; among other things, this document helped clarify the role of LHIN boards and the expectation that LHIN boards would meet regularly with the hospital boards, which would promote the sharing of key information. These guidelines are available to hospitals interested in better understanding the roles and responsibilities of LHINs.

With respect to developing a process for summarizing and sharing key issues and recommendations arising from external reviews (such as those from peer reviews, investigations, and supervisor appointments), the Ministry indicated that it is continuing to explore the best way to communicate these items.

Chapter 4
Section
4.12

Ministry of the Environment

Ontario Clean Water Agency

Follow-up on VFM Section 3.12, *2008 Annual Report*

Background

The Ontario Clean Water Agency (OCWA) operates 313 drinking-water systems and 225 wastewater systems for about 180 customers, mostly municipalities, on a cost-recovery basis. Other services provided by OCWA include project management for facility maintenance and construction; capital improvement planning; and loan financing. OCWA employs approximately 700 staff. In the 2009 calendar year, OCWA essentially broke even on its water-utility operations and generated an overall profit of $2.4 million.

In our *2008 Annual Report*, we concluded that OCWA generally had adequate procedures in place to ensure that it provides effective drinking-water and wastewater treatment services. As well, OCWA was making headway in achieving full cost recovery in the operations side of its business. Nevertheless, we identified a number of areas where further improvements could be made:

- A regulation under the *Safe Drinking Water Act, 2002* requires OCWA to test drinking water for over 160 substances, such as *E. coli*, lead, and uranium. Overall, 99.6% of water samples tested met legislated quality standards. Although OCWA-operated facilities experienced more adverse water-quality incidents than other provincial drinking-water systems on average, OCWA had relatively fewer incidents in the most high-risk microbiological category, such as *E. coli*.
- To help monitor the facilities it operates for compliance with legislation, OCWA had implemented a facility assessment review process and more in-depth compliance audits. Action plans were developed for any compliance issues identified. As of mid-March 2008, our work indicated that 1,471 of the problems from 2007, or 70%, still had not been addressed.
- For a sample of operators we reviewed, over 10% were not listed as having the proper drinking-water certificate or wastewater licence indicating that they had met the education and experience requirements. A number of these operators were listed as having expired certificates. In following up on this, OCWA was subsequently able to provide us with evidence that these operators had valid certificates, but this was indicative of the need for more effective oversight.
- Over the previous five years, OCWA's expenses had increased only 2.8% annually, on average, and OCWA had been successful in gradually reducing its operating deficit, from $9.5 million in 2003 to $1.3 million at the time of our 2008 audit.

- The majority of OCWA's 205 contracts to provide facility operating and maintenance services were for a fixed price over several years, adjusted for inflation. Consequently, OCWA was bearing the risk of any price increases above the rate of inflation. In addition, its margin or markup on direct costs may not be sufficient to cover overhead costs, and some contracts did not even recover all direct contract costs.
- We found that the employee travel expenses we tested were for legitimate business purposes and were properly approved. However, controls over the competitive purchase of goods and services needed to be improved.
- OCWA needed better information to adequately monitor its field operations. In addition, it needed to enhance the reliability and usefulness of its reporting to the Senior Management Committee and the Board of Directors to assist them in effectively meeting their respective management and oversight responsibilities. We did note that OCWA had recently been successful in adding several well-qualified members to its Board of Directors.

We made a number of recommendations for improvement and received commitments from OCWA that it would take action to address our concerns. As well, the Standing Committee on Public Accounts held a hearing on this audit in April 2009.

Status of Recommendations

According to information received from OCWA, we noted that substantial progress was being made on all of the recommendations in our *2008 Annual Report,* although in a few instances, more time will be required to fully address them. The status of action taken on each of our recommendations at the time of our follow-up was as follows.

DRINKING-WATER AND WASTEWATER TESTING

Drinking-water Testing

Recommendation 1

To help further reduce the risk of drinking-water health hazards, OCWA should:

- *formally review adverse water-quality incidents to determine whether there are any systematic issues necessitating changes to its operating procedures;*
- *improve procedures to help ensure the accuracy of data presented in annual reports to system owners and the public;*
- *utilize the best practices developed by local offices to standardize policies and procedures for compliance technicians to follow when tracking and monitoring drinking-water samples tested; and*
- *ensure that lab results are locked into the system on a monthly basis, as currently required.*

Status

OCWA informed us that it had hired an operations analyst in 2009 who was responsible for tracking water-quality incidents and identifying trends across the Agency. Water-quality incidents are usually analyzed and resolved at the local level. Data and analysis on water-quality incidents are reported to the Operations and Compliance Committee. The committee then reviews the incidents and determines whether any further corrective action is required. Incidents are also reported to the Senior Management Committee and Board of Directors on a quarterly basis, to identify any trends that may require further action. Beginning in 2010, the operations analyst was also to review data with the Ministry of the Environment to ensure that incidents are reported accurately.

With respect to improving procedures to ensure that data presented to the public and system-owners is accurate, OCWA informed us that operations managers are regularly reminded of the importance of ensuring that annual reports on the drinking-water system are reviewed for completeness and accuracy before they are submitted to clients. Accuracy is assured through the operations management staff's review of the reports and their approval by one or more cluster, operation, and/or regional manager.

In December 2008, OCWA issued updated operating procedures aimed at standardizing best practices for tracking and monitoring drinking-water samples.

OCWA indicated that the lab results from the drinking-water-quality testing for a given month are reviewed and locked 45 days following the close of the month to prevent the results from being altered. As part of their responsibilities, operations management staff ensure that all lab results are locked within the specified time frame and follow up on any exceptions.

Wastewater Testing

Recommendation 2

To help protect the environment from the effects of untreated or partially treated wastewater and biosolids, OCWA should:

- *identify the causes of all incidents of discharge exceedances, bypasses, and overflows to determine if there are any operational measures that could be taken to reduce such incidents;*
- *periodically report to the Senior Management Committee and the Board of Directors on the details of the incidents and what potential actions OCWA could take to help correct the situations identified; and*
- *develop standard policies and procedures to ensure that the amount of biosolid material removed from its facilities is accurately recorded and applied to land within the amounts specified in the sites' Certificates of Approval.*

Status

OCWA indicated that it had substantially implemented our recommendation on wastewater testing and expected it to be fully implemented by November 2010. The operations analyst hired in 2009 is responsible for tracking and identifying trends and issues relating to the causes of all incidents of discharge exceedances, bypasses, and overflows of wastewater. Wastewater effluent exceedances are reviewed quarterly by OCWA's Operations and Compliance Committee and Senior Management Committee, and are also reported to the Board of Directors.

OCWA informed us that, in March 2009, it updated its operating procedure for tracking biosolids material removed from facilities to ensure that these are accurately recorded and applied to land within the amounts specified in the site's Certificate of Approval. This procedure reinforces the requirement to verify the load and the daily and seasonal totals of biosolids hauled to each land site. In addition, OCWA is planning to prepare a biannual report on biosolids generation, haulage, and spreading.

FACILITY MONITORING AND COMPLIANCE

Recommendation 3

To help ensure compliance with environmental, health, and safety requirements and to ensure that the significant and recurring problems identified are promptly corrected, OCWA should:

- *review its compliance audit process to make sure that a sufficient number of facilities are selected for audit, and that those facilities rated as the highest risk are selected, or document the justification for any alternative selection;*
- *rank and/or record deficiencies noted in facility assessment reviews, compliance audits, and ministry inspections by type and significance to ensure that the most serious problems are dealt with expediently;*
- *assess the cause of recurring problems and consider means, such as additional staff training, to help prevent their recurrence; and*
- *prepare ongoing reports for the Senior Management Committee and the Board of Directors,*

outlining the frequency, type, and severity of issues raised and the status of corrective actions.

Status

In February 2010, OCWA implemented an enhanced risk-based process for selecting Agency-operated facilities for audit, ensuring that high-risk facilities are targeted first. In addition, the Corporate Compliance Group now selects facilities for audit independently from the operations section. These selections are reviewed and approved by the Senior Management Committee.

OCWA indicated that all deficiencies identified during facility assessment reviews and compliance audits are assigned a risk level to prioritize the corrective action called for in the Operations and Compliance Committee's quarterly review. Deficiencies identified by Ministry of the Environment inspections are immediately reported to the owner of the facility so that it can undertake corrective action with the support and technical help of OCWA, if requested. In addition, OCWA indicated that it had provided a workshop for regional compliance advisers on determining the root causes of recurring problems and supporting operations staff in developing action plans for identified deficiencies.

OCWA also informed us that it had enhanced its reporting procedures. Its operational compliance annual reports now indicate the frequency, type, severity, and cause of deficiencies. They are then reviewed by the Agency's Operations and Compliance Committee, and reported to the Senior Management Committee and Board of Directors.

FACILITY MAINTENANCE AND REPAIRS

Recommendation 4

To ensure that facilities and equipment are maintained in good working order, OCWA should develop a quality-assurance process to verify periodically that regularly scheduled maintenance is completed and documented as required.

Status

OCWA indicated that it had reviewed its work management system and made improvements to ensure that the maintenance of facilities and equipment is completed as required and properly documented. In June 2009, it provided training to at least one employee from each hub or satellite office on the work management system requirements for data collection and data entry, maintenance procedures, and asset management. In addition, to effectively manage the maintenance work orders and ensure that work is scheduled and performed as required, OCWA has set the monitoring and review of work orders as a performance measure for each operations manager. Each quarter, the status of work orders is to be provided to each vice-president of operations and to regional operations managers for timely follow-up of any areas of concern.

STAFF CERTIFICATION, LICENSING, AND TRAINING

Recommendation 5

To help ensure that staff have the educational and experience requirements necessary to maintain their certificates and licences, OCWA should:

- *include on its list of operators and the certificates and/or licences they hold the level and type of all facilities they operate to help management ensure that operators have the appropriate type of certificate and/or licence for the facilities they work at;*
- *consider implementing additional incentives to encourage operators to upgrade their qualifications at least to the level of the facilities they work at;*
- *ensure that only staff who can respond immediately and effectively to emergency situations are appointed as overall responsible operators, in accordance with regulatory requirements; and*
- *assess best practices throughout the organization to help develop corporate policies and procedures for recording, approving, and storing training records, as well as procedures to ensure*

that staff are completing the required number of training hours on a consistent basis.

Status

OCWA indicated that it has a process in place to ensure that all operators are properly licensed for the facilities in which they operate and that the licences are posted at each facility, and that it has improved its process for capturing information on licence renewals for internal reporting purposes.

With respect to additional incentives to encourage operators to upgrade their qualifications/licences, OCWA informed us that it supports its staff in upgrading their qualifications by providing pay-for-certification and course funding, and by recognizing staff for new licences or certificates received. With respect to further increases to the amount provided for pay-for-certification, OCWA informed us that it had brought the matter forward to be addressed through collective bargaining.

OCWA indicated that it has made improvements to its procedures for recording, approving, and storing training records to ensure that operators have completed the required number of training hours for the type and class of licence held. In June 2009, OCWA also provided a course on the changes made to the training database, emphasizing the importance of accurate training records.

REVENUE GENERATION

Recommendation 6

To work toward providing services on a cost-recovery basis at the operations level, OCWA should:

- *assess the progress of its 2006 revitalization project and implement the cost-saving initiatives that it deems appropriate;*
- *put controls in place to ensure that before each contract is approved, the pricing decision and supporting rationale are clearly documented, as required by policy;*
- *develop a methodology that reasonably estimates the margin required to recover all costs, including corporate overhead;*
- *implement an approval process whereby contracts with lower margins receive greater scrutiny; and*
- *implement procedures to ensure that project proposals for engineering services are properly approved, formal contracts are on file, quarterly client reports are prepared, and a quality assurance review is done at the completion of each project.*

Status

Overall, OCWA's operating results for the year ended December 31, 2009, indicated that the Agency essentially broke even on its utility operations, because its operating loss was only $188,000, compared to a loss of $1.3 million in 2007.

OCWA indicated that it has introduced a number of initiatives to provide its operational services to the water and wastewater sector on a cost-recovery basis. These included:

- identifying specific measures in its 2009 and 2010 Business Plans to reduce discretionary expenses;
- accepting some recommendations on realizing cost savings arising from a consultant's review of the revitalization project completed in 2006; and
- implementing further cost-savings recommendations that came out of an internal review, such as modifying processes within the work management system, financial system, and human resources.

To achieve further cost savings, OCWA indicated that it had changed the way it manages facility operating agreements. The changes it implemented included centralizing documentation for pricing decisions and rationale, and senior management reviews of each contract prior to execution.

OCWA also informed us that it had reviewed its approach to contract pricing with the help of an external consultant and had identified a process for capturing all costs to ensure the recovery of both direct operating costs and corporate overhead.

As a result, in September 2009, it developed a methodology to assist in the development of pricing strategies for new projects and contracts. In addition, contracts with lower cost margins were further scrutinized by comparing annual projected contract amounts to planned and actual margins. The Senior Management Committee receives quarterly reports on contracts performing at low cost margins.

Finally, to ensure that project management agreements for engineering services generate a profit and contribute to corporate overhead costs, OCWA informed us that it had implemented an Engineering Services Agreement Protocol in December 2008. This protocol defines the requirements for agreement preparation, scrutiny, implementation, and retention in relation to the type of assignment.

PROCUREMENT OF GOODS AND SERVICES

Recommendation 7

To comply with its procurement policies, which provide for the acquisition of goods and services in an open and competitive manner, OCWA should implement procedures to ensure that:

- *corporate-card and travel-expense statements submitted for review are supported by original and itemized receipts;*
- *goods and services are acquired in accordance with OCWA's competitive purchasing policy;*
- *signed contracts and other relevant documentation is on file for all major purchases; and*
- *payments to vendors are made in accordance with agreed-upon terms and prices.*

Status

OCWA indicated that it recognized the importance of a competitive acquisition process for goods and services to ensure that these are acquired economically. Accordingly, it has reminded its staff of the appropriate documentation required to support corporate-card and travel-expense statements, and has prepared a checklist to be used for reviewing travel claims before they are paid. For other purchases, OCWA has made its staff aware of documentation requirements in the competitive purchasing policy and it has directed the purchasing agents and controller to review documentation and ensure that any exceptions, such as sole-source or single-source purchases, have an adequate rationale on file.

OCWA informed us that it had enhanced its procedures for reviewing invoices to ensure that payments are made to vendors in accordance with contract terms.

GOVERNANCE, ACCOUNTABILITY, AND EFFECTIVENESS

Governance and Accountability

Recommendation 8

To assist the Board of Directors in carrying out its responsibility to oversee the affairs of the organization and set its corporate direction, OCWA should enhance the reliability and usefulness of its summary reporting to its Board.

Status

OCWA indicated that the Board of Directors had worked closely with senior management to determine what additional information it needed to effectively carry out its oversight. As a result, the following information is provided to the Board:

- quarterly environmental compliance reports, including details on the number of occurrences and year-over-year trends of adverse water-quality incidents, boil-water advisories, effluent bypasses, and Ministry of the Environment inspections and investigations;
- additional reporting on OCWA's internal compliance audit program, including compliance audits, facility assessment reviews, Quality and Environmental Management System audits that identify the frequency, type, severity, and cause of incidents, and management's responses;

- a greater level of detail in the quarterly financial reports;
- quarterly reports itemizing new business, contract renewals, and details of contracts lost; and
- quarterly review of the new key performance indicators for operational efficiencies, plant performance, financial performance, health and safety, and regulatory compliance.

Measuring and Reporting on Effectiveness

Recommendation 9

In order to enhance the performance measures currently contained in its annual report, OCWA should:

- *enhance performance measures for its mandate to protect human health and the environment; and*
- *consider enhancing its performance measures by focusing more on outcomes than on activities.*

Status

OCWA informed us that it had developed performance measures, placing a greater focus on those that are outcome-based over those that are activity-based. For 2009, these included a measure of client satisfaction based on a survey, a commitment to year-over-year reductions in the number of Provincial Officer Orders issued by the Ministry of the Environment, and a commitment to reduce the average fuel consumption for the agency's fleet of vehicles. In its 2010 Business Plan, OCWA increased outcome-based measures to improve the expected results with respect to protecting human health and the environment, and to meet its regulatory obligations to produce clean potable water, and wastewater effluent that meets the discharge criteria.

Chapter 4
Section
4.13

Ministry of Education

School Renewal and Maintenance

Follow-up on VFM Section 3.13, *2008 Annual Report*

Background

Ontario has 72 district school boards with about 5,000 schools and more than 2 million students. About half of Ontario's schools were built at least 45 years ago. In 2002, the Ministry of Education (Ministry) hired consultants to inspect each school to assess its capital renewal needs and input the results into a database. The consultants concluded that addressing the capital renewal needs of Ontario schools by the 2007/08 fiscal year would cost $8.6 billion, of which $2.6 billion would be required to address urgent needs. The replacement value of Ontario's schools was estimated to be $34 billion in 2003.

In our *2008 Annual Report*, we noted that since 2005 the Ministry had committed $2.25 billion for essential repairs and renovations to Ontario's publicly funded schools through its Good Places to Learn initiative and a further $700 million to replace those schools in the worst condition.

In the 2009/10 fiscal year, the Ministry provided school boards with almost $1.9 billion ($1.7 billion in 2007/08) in grants for school operations, which are primarily used for ongoing maintenance, custodial services, and utilities. The Ministry also provided $306.2 million ($305.8 million in 2007/08) in capital renewal grants for repairs and renovations.

Our 2008 audit focused on how three school boards—the District School Board of Niagara, the Durham Catholic District School Board, and the Kawartha Pine Ridge District School Board—managed and maintained their school facilities and used the capital funding provided by the Ministry.

Some of our more significant observations were as follows:

- The initiative to inspect each school in Ontario and enter the results into a database had provided valuable information on the state of Ontario's schools and where renewal funds should be invested. We noted that such a database can only continue to be useful, however, if it is kept up to date.
- Boards had not always spent the funds they received under the Good Places to Learn initiative in accordance with ministry requirements and on the highest-priority needs. Also, the Ministry needed an action plan to address schools that were considered to be uneconomical to maintain.
- All three schools boards we audited generally had good policies for the competitive acquisition of facility-related goods and services, and all three boards were generally following their prescribed policies. However, one board had not done so in purchasing plumbing services from four suppliers: invoices had been split

into smaller amounts to avoid competitive purchasing requirements and lacked sufficient detail to verify the amounts charged.

- With respect to maintenance and custodial services, we found that there was little formal monitoring; expected service levels were rarely established; and only limited feedback was being obtained from teachers, students, and parents on how well their individual school was being maintained and cleaned. We recommended that, to identify inefficient or costly practices that warrant follow-up, school boards should more formally track the comparative costs for these services between schools within each board or compare their costs to other boards in the same geographical region.
- Electricity, natural gas, and water costs are a major expense. While all three boards had introduced energy conservation measures, they should have been comparing energy costs for schools of a similar age and structure and following up on those instances where costs differed significantly between comparable schools. We noted instances where the average energy costs per square metre between schools in neighbouring boards differed by over 40%.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns.

Status of Recommendations

To assess the status of our recommendations with respect to the entire school board sector, we obtained an update from the Ministry, which, as of June 2010, had reviewed the facilities, staffing, and financial operations of 61 of the 72 school boards. According to the information we received from the Ministry, it has undertaken a number of significant initiatives and policy changes to address the recommendations we made in our *2008 Annual Report*. However, in some instances, more work will be required at the school board level to fully address the recommendations. The status of action taken on each of our recommendations was as follows.

SCHOOL RENEWAL

Information on Renewal Needs

Recommendation 1

To help ensure that the school renewal capital planning database contains up-to-date information and accurately reflects major repair and renewal needs, school boards and the Ministry of Education should:

- *ensure that the database is periodically updated with completed renewal projects; and*
- *periodically reassess the condition of school buildings and adjust the database accordingly.*

Status

From 2005 to 2009, the Ministry provided funding to school boards under the Good Places to Learn (GPL) initiative for essential major repairs and renovations at Ontario's publicly funded schools. The Ministry informed us that school boards are required to maintain and update the asset management database as GPL activity occurs. In May 2009, the Ministry reminded boards of this obligation and requested that all GPL-supported renewal projects be board-approved, active, or completed by August 31, 2010, and that all such information be updated in the asset management database. The information that the school boards were required to submit included the status of the project, actual costs of the project, and reasons for any variances from the original estimate.

In November 2009, the Ministry received approval to proceed with the competitive procurement of services relating to a new assessment of the condition of school facilities. The Ministry informed us that it issued a request for proposals for this procurement in August 2010 and anticipates that a new contract would be in place before the end of the year. The Ministry intends to conduct facility condition assessments over a five- or six-year period of all schools that are open and operating, except those that were recently constructed.

Use of Renewal Funding

Recommendation 2

To help ensure that one-time and ongoing renewal funding is spent prudently, school boards should:

- *formally rank all capital renewal projects to ensure that they are prioritizing the most urgent ones appropriately;*
- *require that trustees approve capital renewal plans and any significant revisions to them; and*
- *spend Good Places to Learn (GPL) and annual capital renewal funds only on eligible projects.*

Status

In December 2007, the Ministry announced that operational reviews would be undertaken at all 72 school boards over a three-year period to strengthen business practices and management capacity. The Ministry had reviewed 61 of the 72 boards as of June 2010. Boards were assessed according to leading practices in a number of areas including governance, human resource management, and facilities management. The leading practices related to facilities management include the standard that school boards should develop a multi-year facility maintenance and renewal plan and that this plan should be reviewed and approved by senior management and the school board trustees.

Upon completion of the operational review at a school board, the Ministry sends a report to the board providing an evaluation of how the practices at the board align with leading practices, plus recommendations for improvement. Approximately 12 to 18 months after the operational review, the Ministry conducts a follow-up review to determine if the school board has implemented the recommendations made in the initial report. Finally, the Ministry produces annual province-wide reports that summarize the operational-review findings of all school boards reviewed that year in order to identify systemic issues and to note recommendations for improvement for the school system as a whole.

The summary report of the 2007/08 operational reviews, released in September 2008, noted that almost all boards use the asset management database to guide the development of annual maintenance and renewal priorities. However, although many boards were maintaining a database of prioritized projects extending several years out, few boards were formally communicating these priorities in the form of a comprehensive multi-year maintenance and renewal plan. The 2008/09 summary report, released in October 2009, noted some improvement in this area: many school boards have started to establish multi-year maintenance and renewal plans, but they still need to formalize these plans for approval by senior management and the board trustees.

The Ministry informed us that, since the introduction of the GPL initiative, it has communicated to the boards on several occasions the eligibility criteria for spending these funds. In addition, to help monitor GPL funding, boards are required to report GPL renewal funding in their estimates, revised estimates, and audited financial statements.

Prohibitive-to-repair Schools

Recommendation 3

To help ensure that students have acceptable, suitable environments to learn in, the Ministry of Education should develop an ongoing process to identify and address urgent capital renewal needs before schools become prohibitive to repair.

Status

In October 2008, the Ministry requested that boards prioritize and provide business cases for their top capital priorities over the 2009/10, 2010/11, and 2011/12 fiscal years for funding consideration. The Ministry summarized this information and estimated the amount of capital funding required to address these priority needs. The

Ministry then allocated $350 million to 45 capital priority projects, and subsequently, an additional $150 million to 35 capital priority projects from the energy efficiency funding initiative.

The Ministry informed us that the facility condition assessments of schools over the next five or six years will further help to provide the Ministry and school boards with information necessary to assess the overall condition of the province's schools, renewal needs, and current priorities.

SCHOOL CLOSINGS

Recommendation 4

To help school boards make the best possible decisions on closing schools, the Ministry of Education should:

- *review the impact that top-up grants have on keeping schools open to ensure the grants are meeting their intended purpose; and*
- *assess the impact that its guideline is having on school closures and address any concerns identified.*

Status

The Ministry informed us that it had reviewed the top-up grant process and revised it for urban schools to help ensure that they operate more efficiently. Top-up funding had been provided, up to a maximum of 20%, to urban schools that were not at full capacity in an amount equal to what they would have received if they had had additional students. In 2010/11, the Ministry will reduce the maximum top-up funding to 18% and, in 2011/12, to 15%. Also beginning in 2010/11, the Ministry will not provide top-up funding to new schools for the first five years of operations. These changes will not affect the top-up funding provided to rural or other schools in need of additional support.

The Ministry advised us that it had considered various reports (including the Declining Enrolment Working Group's report, *Planning and Possibilities*) and hundreds of comments from numerous stakeholders in assessing the *Pupil Accommodation Review Guideline*. This guideline, issued in 2006, provides a framework for assessing a school's value to students, the community, the school board, and the local economy when determining if it should be closed. Feedback received from these stakeholders identified several areas where the guideline could be strengthened to better support school boards' accommodation review processes. As a result, in June 2009, the Ministry made several revisions to the guideline, such as the introduction of terms of reference for accommodation review committees and clarification of the committees' role in making accommodation recommendations.

ACQUISITION OF GOODS AND SERVICES

Recommendation 5

To help ensure that their purchases of goods and services are economical, school boards should:

- *ensure that all purchases are made competitively and in accordance with board policies;*
- *conduct reasonableness reviews to ensure that supplier invoices are not artificially split into multiple invoices for smaller amounts;*
- *require that invoices have enough detail for board staff to assess their accuracy and reasonableness; and*
- *check invoices for possible errors before they are paid.*

Status

The Ministry informed us that, effective April 1, 2009, the Treasury Board of Cabinet directed that the government's *Supply Chain Guideline* be incorporated into the transfer payment agreements of all broader-public-sector organizations, including school boards, that receive more than $10 million in funding annually. As a result, the Ministry of Education's transfer payment agreement with school boards now reflects this new requirement. The guideline focuses on procurement policies and procedures and on a code of ethics, which all school boards are required to implement. In its 2010/11 operational review update, the Ministry noted that, although many boards had procurement policies and procedures in place, the requirement to comply with the *Supply Chain Guideline* has helped boards revisit and strengthen their policies and procedures in this area.

The procurement policies and procedures set out standardized rules for competitive procurement and contracting. These rules are designed to balance numerous objectives including accountability, transparency, value for money and, ultimately, effective and high-quality service delivery. In addition, the rules specifically state that school boards are not permitted to divide requirements into multiple procurements in order to reduce the estimated value of a single procurement and thereby avoid exceeding an identified value threshold. In addition, formal documentation must be completed to support and justify purchasing decisions, including verification and approvals by the appropriate authority levels within the organization.

The Ministry is required to report on the compliance of school boards in implementing these requirements. To help meet this requirement, school boards must attest to having done the following:

- reviewed their existing code of ethics and procurement policies for compliance;
- assessed compliance with the code of ethics and the mandatory requirements listed in the *Supply Chain Guideline*; and
- posted procurement policies and a code of ethics on the school board's website.

The Ministry informed us that it expects all school boards will have their procurement policies publicly available by December 31, 2010.

SCHOOL UPKEEP

Setting Clear Expectations and Assessing Quality of Service

Recommendation 6

To help ensure that funding for custodial and maintenance services is spent well and that work is properly completed, school boards should:

- *establish certain basic service-level objectives for custodial and maintenance services;*
- *periodically inspect the work of staff for quantity, quality, and completeness and document the results; and*
- *conduct surveys to determine the satisfaction of school users with the services provided.*

Status

The Ministry informed us that school boards' maintenance and custodial policies and procedures were evaluated during the operational reviews to determine whether cleaning standards for schools had been adopted and whether a standard set of processes and tools to monitor, manage, and report on results had been developed. Although concerns were noted and recommendations for improvement made in individual board reviews, the summary report on the 2008/09 operational review did not note any systemic areas where significant improvements were required.

For example, one of the boards we audited in 2008 had adopted APPA (Association of Physical Plant Administrators, now known as the Association of Higher Education Facilities Officers) cleaning standards, which it uses to evaluate the performance of custodial staff at each facility. Operations co-ordinators and school principals monitor compliance through custodial log books and inspection forms. The operations co-ordinator frequently meets with custodial staff to ensure that performance expectations are clearly communicated. In addition, to assess the satisfaction of school users, this board has established a formal stakeholder communication process, including a template to track its interactions with the community and issues raised as well as actions planned to address these issues.

Cost Management

Recommendation 7

To help minimize costs and prevent service disruptions, school boards should:

- *compare maintenance and custodial costs between schools within boards to identify variances that may be indicative of both good and poor practices and take corrective action; and*
- *determine whether additional expenditures on preventive maintenance could reduce long-term costs.*

Status

In response to our 2008 audit, the Ministry stated that it had agreed to co-ordinate a study of school operations costs in collaboration with school boards and unions representing school board custodial and maintenance staff. The Ministry informed us that a working group has been created to define the proposed scope and parameters of this study. At the time of our follow-up, the Ministry was in the process of preparing for discussions with school board and union representatives. The Ministry also informed us that it is committed to contributing to this study, which it anticipates will take place in fall 2010.

During the operational reviews, school boards were also assessed to determine whether senior administration had developed and communicated a multi-year plan to address the board's preventive and deferred maintenance priorities. The 2008/09 summary report on the operational reviews noted that boards generally recognized the importance of planning and how preventive maintenance can reduce long-term costs. The summary report also indicated that, although the process needs to be formalized, many facility maintenance departments have begun to establish multi-year maintenance plans.

Energy Management

Recommendation 8

To help ensure that energy costs are minimized, school boards should:

- *develop a formal energy-management program with specific energy conservation targets; and*
- *compare energy consumption among similar schools within and between boards as well as total energy consumption among boards in the neighbouring area and investigate significant variances for evidence of best practices or areas where energy savings may be realized.*

Status

The Ministry informed us that it launched an energy management initiative in 2008 to support school boards with the growing priorities of energy management and conservation. In 2009/10, as part of this initiative, the Ministry initiated a utility consumption database, which is to collect data on electricity and natural gas consumption at every school and administrative building in the sector. The information collected is then used to:

- determine average provincial benchmarks;
- allow boards to analyze year-over-year consumption;
- identify schools and boards that are most energy efficient and those that require technical advice and support to reduce energy consumption; and
- set annual energy-reduction targets for the sector, board, and individual schools.

The operational reviews undertaken at the school boards assessed the boards' energy management programs and the tracking of and reporting on energy conservation. The overall finding was that boards have implemented a variety of energy conservation measures. For example, the operational review of one of the school boards we visited during our 2008 audit noted that the board had gathered site-specific consumption data in order to establish benchmarks for each location and that it had targeted a 10% cost savings. In addition, the review identified that the board had measures in place to monitor abnormal energy usage patterns and to take corrective action if needed.

Attendance Management

Recommendation 9

To help minimize sick-leave absences, school boards should:

- *track the attendance of all employees; and*
- *inform supervisors of any employees with high numbers, or unusual patterns, of absences and, if improvements are not noted, consider implementing a more formal attendance improvement program for such employees.*

Status

The Ministry informed us that, in June 2008, the Council of Senior Business Officials' Effectiveness and Efficiency Advisory Committee released its *Report on Leading Practices in Attendance Support for Ontario School Boards*. The purpose of this report was to review leading practices in managing attendance in order to identify opportunities for boards to develop attendance management strategies and reduce unnecessary costs related to absenteeism.

As part of the operational reviews performed at the school boards, the boards were assessed on whether they had appropriate processes and systems in place to monitor staff attendance on a timely basis and whether the effectiveness of the attendance management process is periodically reported on to senior management and school board trustees. The 2007/08 summary report of operational reviews conducted at various school boards identified that, although there are opportunities for improvement, most boards have relevant policies and associated procedures to manage staff attendance. For example, the operational review conducted at one of the school boards we audited in 2008 identified that the board has developed an attendance support program that requires individual attendance to be monitored by department and employee group, with the objective of assisting those who are at risk of not meeting attendance expectations and who may require counselling and support.

LEGISLATION AND REGULATIONS FOR SCHOOL FACILITIES

Recommendation 10

To help ensure that all school boards are aware of changes in legislative and regulatory requirements affecting facility management and to minimize duplication of effort, the Ministry of Education and school boards should work on centralizing the collection of this information.

Status

Although the Ministry has not developed a centralized system, we were informed that, on an ongoing basis, the Ministry works with other ministries to identify and provide information on policy and regulatory changes affecting the school board sector. It provided as an example the fact that, in March 2009, it gave school boards information about Ontario's ban on certain pesticides, including identification of the pesticides that are allowed for use in school yards. In another example, the Ministry issued a memorandum in September 2009 reminding school boards about their ongoing responsibility under the *Safe Drinking Water Act, 2002* for testing water, and in January 2010, the Ministry advised school boards about recent updates to that act.

Chapter 4
Section
4.14

Ministry of Education

Special Education

Follow-up on VFM Section 3.14, *2008 Annual Report*

Background

The *Education Act* defines a student with special education needs as one who requires placement in a special education program because he or she has one or more behavioural, communicational, intellectual, or physical exceptionalities. The most common categories of special needs are shown in Figure 1. School boards make this determination, identifying the student's strengths and needs and recommending the appropriate placement. Although the Ministry of Education (Ministry) supports placing students with special education needs in regular classrooms, school boards may place a student in special education classes if such classes better meet his or her needs and the move is supported by the student's parents.

Special education grants of $2.2 billion in the 2009/10 fiscal year ($2.1 billion in 2007/08) constitute about 12% of the province's funding for the 72 publicly funded school boards. The Ministry and school boards provided special education programs and services to approximately 298,000 students across the province in the 2008/09 school year (288,000 in 2007/08). Although provincial test results and our audit in 2008 indicated that progress had been made since our previous audit in 2001, we found that there were still a number of areas where practices needed to be improved to ensure that the significant funding results in continuous improvement in the outcomes for students with special education needs in Ontario.

In our *2008 Annual Report*, some of our more significant observations were as follows:

- Although special education funding has increased by about 54% since the 2001/02 school year, the number of students served has increased by only 5%.

Figure 1: Special Education Enrolment by Area of Special Need in Publicly Funded Schools, 2006/07

Source of data: Ministry of Education

Type of Special Need	#	%
learning disability	84,556	28.98
mild intellectual disability	23,718	8.13
behaviour	13,743	4.71
language impairment	11,769	4.03
developmental disability	10,406	3.57
multiple exceptionalities	9,557	3.28
autism	9,357	3.21
physical disability	3,598	1.23
hearing (deaf and hard of hearing)	2,416	0.83
vision (blind and low vision)	771	0.26
speech impairment	638	0.22
hearing and vision (deaf and deaf-blind alternative programs)	43	0.01
Total Exceptional Students	**170,572**	**58.46**
giftedness	26,609	9.12
Total Identified Students	**197,181**	**67.58**
non-identified students receiving special education services	94,583	32.42
Total Students Receiving Special Education Services	**291,764**	**100.00**

- The proportion of completed Individual Education Plans (IEPs) in our sample improved from 17% in our 2001 audit to almost 50% in our 2008 audit. The availability of information from student information systems had also improved. However, the information that school boards collected about students with special education needs, how early they were identified, the educational programs provided to them, and the results achieved was not yet sufficient to support effective planning, service delivery, and program oversight.
- The IEPs that we examined varied in how well they set the learning goals and expectations for students with special education needs working toward modified curriculum expectations. The learning goals and expectations for numeracy and literacy were generally measurable. However, those for other subjects were often vague. As a result, schools could not measure the gap between the performance of these students and regular curriculum expectations and assess student progress.
- Identification, Placement, and Review Committees (IPRCs) made significant decisions regarding the education of students with special education needs but did not adequately document why and how their decisions were made.
- The provincial report card was not designed to report on the achievement of IEP learning expectations that differ from curriculum expectations and on the extent to which students with special education needs met their learning goals. As a result, students and parents may not have been adequately informed about student performance and about the curriculum benchmarks against which student performance is measured.
- None of the school boards we audited in 2008 had established procedures to assess the quality of the special education services and supports at their schools. This made it difficult for both individual schools and the boards to know what kinds of improvements were needed to better serve students with special education needs.

We made a number of recommendations for improvement and received commitments from the Ministry that it would take action to address our concerns. As well, the Standing Committee on Public Accounts held a hearing on this audit in April 2009.

Status of Recommendations

Based on the information received from the Ministry of Education, we noted that progress is being made on addressing all of the recommendations in our *2008 Annual Report*. The Ministry has taken action in a number of areas and continues to develop better guidance resources to assist school boards in meeting student special education needs. Monitoring school board and school compliance with policy requirements will be further enhanced with the establishment of a new school board internal audit function. The status of action taken on each recommendation at the time of our follow-up was as follows.

IDENTIFICATION AND PLACEMENT

Timely Intervention

Recommendation 1

To ensure that students with special education needs are identified in a timely manner, the Ministry of Education should work with school boards to establish procedures to monitor the effectiveness of schools' early identification practices and take corrective action where they have not been effective.

Status

The Ministry advised us at the time of our follow-up that every school board is required to have procedures in place to identify the level of development, learning abilities, and needs of every child. School boards are also to have an early identification process that includes intervention strategies aimed at ensuring that appropriate educational programs are established for every grade.

In the fall of 2009, the Ministry held consultations with school boards and other stakeholders to identify an appropriate period of assessment leading to the identification of students' strengths and needs. The Ministry indicated that the expectation is that, where a student has been a pupil of the board since kindergarten/Grade 1 and is receiving special education programs and services, an IEP is to be in place by the end of the primary division (Grade 3).

The Ministry pointed out a number of projects implemented and under way since our 2008 audit to assist school boards in the development and monitoring of early identification practices. Some of the more significant initiatives were:

- The Ministry distributed a resource guide, *Ontario Psychological Association Project Resource: Sharing Promising Practices (Kindergarten to Grade 4)*, to all school boards in 2009 that contains examples of effective, sustainable, and promising school board best practices regarding assessment and early interventions.
- The Ministry initiated and funded, through the Council of Ontario Directors of Education, the *JK–Grade 1 Assessment and Intervention Strategies Project*. The project will identify evidence-informed assessment and intervention strategies for students in junior kindergarten through Grade 1, including students with special education needs. The project report was to be released in October 2010.
- The Ministry developed *Caring and Safe Schools in Ontario: Supporting Students with Special Education Needs through Progressive Discipline, Kindergarten to Grade 12*, a new resource guide that was to be released in August 2010 that focuses on early identification practices and supporting students with behavioural, mental-health, and communication challenges.
- The Ministry informed us that it released a revised *K to Grade 12 School Effectiveness Framework* in March 2010 that is to enhance school board and school planning through continuous needs assessment, evaluation, and monitoring focused on improving student learning. Starting in the fall of 2010, special education practices are to be integrated and reported on as part of the regular school board improvement and planning process.

The Ministry further informed us that it is encouraging school boards to make use of these and other resources and to monitor the effectiveness of schools' early identification practices, making improvements where necessary.

Documenting IPRC Proceedings

Recommendation 2

To help ensure that Identification, Placement, and Review Committees (IPRCs) provide information that is useful to teachers, assists subsequent IPRCs in understanding past decisions, and facilitates the review and improvement of procedures, the Ministry of Education should require IPRCs to properly document their proceedings, including:

- *the rationale for their decisions and a record of the evidence that was submitted to the IPRCs and the evidence the IPRCs relied on in reaching each of their decisions regarding exceptionalities, placement, and strengths and needs; and*
- *in the event that they decide to place a student in a special education class, a description of the supports and services needed by the student that could not reasonably be provided in a regular classroom.*

Status

The Ministry informed us that it had undertaken consultations in 2009 regarding current school board practices and that it was developing a revised *Special Education Guide*, to be released in the spring of 2011, that will include current special education regulations, policy directions, and effective practices. The revised guide is to stress the importance of best documenting processes to help ensure that IPRCs provide relevant information to teachers and contain all the necessary information to understand past decisions in order to make informed future decisions. Specifically, the guide is to clarify how to:

- properly document IPRC proceedings and use that information to inform classroom assessment and instruction;
- document the rationale for an IPRC decision, the evidence that was submitted, and the evidence relied on in reaching determinations regarding exceptionalities, placement, and strengths and needs;
- describe supports and services needed by a student placed in a special education class that could not reasonably be provided in a regular classroom; and
- use school board IRPC experience to inform improvements to school board IRPC processes.

Parental Involvement in the IPRC Process

Recommendation 3

To help ensure that parents are informed about and involved in the Identification, Placement, and Review Committee (IPRC) process and that IPRCs have all the information necessary to make informed exceptionality and placement decisions, the Ministry of Education should require that school boards retain evidence, such as copies of letters to parents, that parents were informed about the IPRC process and that their input was sought on their child's strengths and needs before the original IPRC meeting.

Status

The Ministry informed us during our follow-up that its revisions to the *Special Education Guide* are expected to help clarify expectations for the collection, sharing, and retention of all IPRC-related correspondence with parents, including examples of the type of information that should be requested from parents. In order to help ensure that parents are informed about and understand the IPRC process, the Ministry further informed us that it had reminded school boards that they are to provide parents with *A Parent Guide* explaining the IPRC process.

Resources Allocated to the IPRC Process

Recommendation 4

To help ensure that school boards maximize the benefits from special education expenditures, the Ministry of Education should compare the contribution to student outcomes made by the current resource-intensive formal identification process to the contribution that additional direct services—such as more special education teachers—would provide and determine the extent to which formal identifications should be used.

Status

The Ministry informed us it had not compared the contribution to student outcomes made by the formal identification process to the contribution that additional direct services might provide. Instead, it told us that the revised *Board Improvement Planning* (BIP) and *K to Grade 12 School Effectiveness Framework* (SEF) require continuous monitoring of special education practices and regular reporting by school boards. As part of this process, school boards are required to evaluate their learning, financial, and human resource allocation decisions to ensure that special education resources are being optimized.

The Ministry also advised us that school boards have the flexibility to provide special education programs or services to address a student's needs without a formal identification process in order to achieve timely delivery of effective programming in a way that respects the integrity of the IPRC process and parents' rights while minimizing administrative requirements.

INDIVIDUAL EDUCATION PLANS

Information for Inclusion in IEPs

Recommendation 5

To help ensure that teachers take all information relevant to students' education into account when preparing Individual Education Plans (IEPs), the Ministry of Education should:

- *provide school boards with guidance on the type of information they should obtain from parents to help in preparing IEPs; and*
- *encourage school boards to ensure that information useful in preparing IEPs—such as summaries of information obtained from consultations with parents and psychologists and other professionals, strategies and accommodations tried by previous teachers, the results of educational diagnostic tests, and minutes of in-school support team meetings—is available to and used by the preparers.*

Status

The Ministry informed us that as part of an ongoing commitment to consolidate and update information related to serving students with special education needs, the revised *Special Education Guide*, scheduled for release in the spring of 2011, is to outline effective practices for the inclusion of information in IEPs. The Ministry further informed us that it plans to specify the sources and types of information that should be obtained from parents, psychologists, and other professionals, along with other relevant information that should be used to assist teachers in the preparation of IEPs.

The Ministry also advised us that it had undertaken a number of projects that provide a foundation for improving IEP development. This includes ensuring that pertinent information such as parent consultations are considered in the preparation of IEPs. Some of these initiatives included:

- The development of a website, *IEP 101 for Parents and Students* (in partnership with the Learning Disabilities Association of Ontario), that contains information about how parents and students can best participate in the IEP process.
- The production of 49 sample IEPs, in collaboration with the Council of Ontario Directors of Education, that are accessible through the council's website. These samples demonstrate the effective use of information such as professional assessments in the development of IEPs and ways in which parents can be involved.
- The release in June 2009 of a draft resource guide, *Learning for All K–12*, that contains assessment and instructional approaches and tools that can be implemented in classrooms, schools, and school boards. The guide stresses that parents are an important source of information about student needs, and that input from parents should be used in the development of IEPs.

Setting Learning Goals and Expectations and Monitoring Student Progress

Monitoring Student Progress

Recommendation 6

To help ensure that schools properly monitor the progress of students with special education needs and identify effective practices, the Ministry of Education should provide schools with guidance on:

- *how to measure the amount of students' progress in acquiring knowledge and skills, and use this information to assess the effectiveness of the teaching strategies and accommodations and make changes where appropriate; and*
- *monitoring the progress of students with special education needs against an appropriate benchmark—which would be, in many cases, regular curriculum expectations—and assessing whether changes in the gap between students' current levels of achievement and regular curriculum expectations are appropriate.*

Status

The Ministry informed us at the time of our follow-up that it had released a policy document entitled *Growing Success, Assessment, Evaluation and Reporting in Ontario Schools, First Edition, Covering Grades 1 to 12 (2010)* that was to be implemented beginning in September 2010. It included:

- guidance to school boards and schools on how to measure, assess, and report progress for students with special education needs who are working toward modified curriculum expectations;
- alternative learning expectations (for example, a student who may need help to acquire everyday knowledge and skills such as money management); and
- suggestions for how to work with accommodations for students with special education needs (for example, students who may have access to specialized software or computers to help in developing their writing skills).

The Ministry further informed us that the policy document also provides guidance on assessing the progress of students with special education needs against standard provincial benchmarks.

The Ministry also released draft guidelines in the fall of 2009—*Assessing Achievement in Alternative Areas*—to enhance the assessing and evaluating of students with special education needs who do not follow the provincial curriculum, do not participate in the Education Quality and Accountability Office (EQAO) assessments, and are working toward alternative learning expectations.

As part of a regular review cycle, curriculum policy documents have been revised to include direction on the assessment and evaluation of students with special education needs (for example, *The Ontario Curriculum Grades 9 and 10 for Science* and *The Ontario Curriculum Grades 1–8 Health and Physical Education)*. Also, the Ministry informed us that, under the revised *Board Improvement Planning* (BIP) and *K to Grade 12 School Effectiveness Framework* (SEF), it is encouraging boards to monitor the effectiveness of schools' assessment and teaching strategies for students with special education needs and to make changes to enhance the strategies when needed.

Setting Learning Goals and Expectations

Recommendation 7

To help ensure that teachers, parents, and students with special education needs have a common understanding of the learning goals and expectations for the coming school year, and to assist in monitoring the students' progress:

- *the Ministry of Education should update* The Individual Education Plan (IEP): A Resource Guide *so that it:*
    - *provides examples of specific learning goals for all subjects, as it has done for language and mathematics; and*
    - *clarifies its expectations regarding explanations of differences between the learning expectations in an IEP and those of the regular curriculum; and*
- *school boards should ensure that schools set measurable learning goals and measurable learning expectations in IEPs.*

Status

The Ministry advised us that the revised *Special Education Guide* to be released in 2011 is to focus on developing a generic framework to develop measurable learning goals for all subjects, with a range of examples to illustrate IEP concepts. The Ministry further advised us that it also plans to clarify expectations regarding the differences between learning expectations in an IEP and the regular curriculum.

In addition, the Ministry informed us that it had released *Professional Activity (PA) Resources* designed to provide learning opportunities, resources, and other supports such as workshops to help parents and students, including those with IEPs, better understand the expectations and goals that have been set for them and to assist them in monitoring their learning progress.

Timely Preparation of IEPs

Recommendation 8

To help ensure that students with special education needs receive timely support as outlined in their Individual Education Plans (IEPs), the Ministry of Education should compare procedures and practices at a sample of school boards where the IEP deadlines are routinely met with those where they are usually not met, and include examples of timelines and effective practices in the IEP guide.

Status

The Ministry informed us that it conducted a 2009 IEP Review and was addressing this concern through its revised *Special Education Guide,* which is to provide best practices to support the timely development of IEPs. The guide will also reinforce the regulation requirement that an IEP is to be in place within 30 days of a student being placed in a special education program and/or receiving a special education service.

REPORTING ON STUDENT PERFORMANCE AND PROGRESS

Recommendation 9

To help ensure that parents and students understand how students are performing when they are being assessed against modified and alternative expectations, as opposed to regular curriculum expectations:

- *the Ministry of Education should:*
    - *reconsider the suitability of the standard provincial report card for reporting on the performance of students who are working toward modified expectations;*
    - *provide examples of the type of performance reports it expects school boards to use for students working toward alternative expectations; and*
    - *provide guidance to assist teachers in assessing the performance of students who are working toward reduced expectations for the current grade's curriculum; and*
- *school boards should ensure that report cards provide parents and students with meaningful assessments of student performance relative to learning goals and expectations.*

Status

The Ministry informed us that while a standard report card is still being used to report student performance, its *Growing Success* policy document, which was to be implemented in September 2010, contains refinements to better recognize and monitor the performance of students working toward modified curriculum expectations or alternative learning expectations, and/or working with accommodations. Under the new policy, teachers are to evaluate a student's achievement in relation to regular curriculum expectations, modified curriculum expectations, and/or alternative expectations that will be clearly noted in the report card and explained to students and parents. The policy also provides direction to assist teachers in assessing and reporting on the performance of students who are working toward modified expectations for the current grade's curriculum.

TRANSITION PLANNING

Recommendation 10

To help ensure that transitions of students with special education needs from school to school, from elementary to secondary school, and from secondary school to work, community living, or further education, are effectively managed, the Ministry of Education should:

- *require that schools prepare plans for all transitions—not just transitions from secondary school—and report on the completion and, where applicable, the degree of success of each action in the transition plans; and*
- *provide more guidance on planning and managing the transitions of students who are working toward modified expectations.*

Status

The Ministry informed us that it had conducted a series of consultations in the fall of 2009 to determine the current school board practices regarding transitions for students with special education needs. The Ministry also informed us that it was developing a policy on transition planning (for transitions from school to new school, and from elementary to secondary school) for students with special education needs, including students working toward modified curriculum expectations. Under this new policy, school boards will be required to monitor the effectiveness of transitions as part of the IEP review process. The policy, which was to be released in the fall of 2010, is also to provide further direction for managing transitions of students who are working toward modified curriculum expectations. The Ministry also advised us that the revised *Special Education Guide* is to provide additional guidance on timely transition planning for school boards.

In addition, the Ministry informed us that it had launched several initiatives that reflect the importance of transition planning for students with special education needs. For example, working with the Ministry of Children and Youth Services, the Ministry supported *The Collaborative Services Delivery Model (Autism)* project, which provides frameworks to help school boards, schools, teachers, and parents in the transition process for students with autism spectrum disorders. These models are also useful to support transitions for students with other special education needs.

MONITORING PROGRAM EFFECTIVENESS, QUALITY, AND COMPLIANCE

Recommendation 11

To help ensure that schools comply with legislation, regulations, and policies, and to improve the quality of special education programs, the Ministry of Education should assist school boards in establishing periodic quality assurance and compliance inspection procedures.

Status

The Ministry informed us that it is providing $5 million in the 2010/11 fiscal year to establish an internal audit capacity at school boards. The school board internal audit function is to include a risk assessment framework that will assess financial and operational compliance. Through this initiative, the Ministry would encourage school boards to include special education programs and services in their audit plans. Further, school boards are to establish audit committees to oversee internal audit activities and ensure overall financial and operational compliance.

COMPLETENESS OF STUDENT RECORDS AND INFORMATION FOR RESEARCH

Recommendation 12

To help improve the effectiveness of special education programs, the Ministry of Education should:

- *identify the information that is required to support evidence-based program delivery models (for example, information about the circumstances and educational programs—type, timing, and amount of services and supports—of students with special education needs, as well as the results the students achieve); and*
- *assist school boards in establishing processes to collect, maintain, and use this information to guide programming decisions.*

Status

The Ministry advised us at the time of our follow-up that it had conducted research on special education program best practices and procedures, including benchmarks, indicators, and standards. The results of the research were used in the development of the revised *K to Grade 12 School Effectiveness Framework* and to identify the information required to support the evidence-based program delivery model. The revised framework document provides guidance on the data that school boards should collect to help identify gaps in achievement among various groups of students, set targets to minimize the gaps, monitor the progress of strategies aimed at addressing the gaps, and help guide future programming decisions, such as ways to improve the effectiveness of all programs and services, including special education.

Also, the Ministry provided school boards with $10 million in the 2009/10 fiscal year to assist teachers, principals, and board administrators in using information technology to make better decisions and improve learning for all students, including those with special education needs.

Furthermore, the Ministry advised us that it began in 2009 to share disaggregated student achievement data from the EQAO tests on a provincial level by exceptionality. (EQAO testing measures student achievement in specified subjects, at designated grade levels, and against a provincial standard.) These data are intended to help school boards assess the progress of various groups (such as students with special education needs) when compared to the entire school population.

SPECIALIZED EQUIPMENT

Recommendation 13

To help ensure that specialized equipment purchased for students is provided to them within a reasonable time, meets their needs, and is acquired economically, the Ministry of Education should:

- *include a service expectation in its guidelines for Special Equipment Amount claims, and require school boards to ensure that their processes achieve this expectation, with respect to the time between the date a professional recommends that a student be provided with specialized equipment and the date it is ready for use by the student;*
- *assess the level of savings that might be available from the purchase of group licences for computer software; and*
- *require that boards assess the effectiveness of the equipment that they purchase.*

Status

The Ministry informed us that it had reviewed special education funding and changed the process to reduce the administrative burden for boards and provide greater flexibility to expedite equipment purchases and facilitate savings that may result from group purchasing. The differences in procurement and training requirements for different types of equipment do not lend themselves to establishing a service expectation for the delivery of new equipment. The Ministry indicated that, for this reason, it is not pursuing a service expectation with respect to the time between the date a professional recommends that a student be provided with specialized equipment and the date it is ready for use. However, the Ministry advised us that, beginning in the 2010/11 fiscal year, it had developed a six-week service expectation for the transfer of specialized equipment when a student moves from one school board to another.

To help school boards provide equipment to students with special education needs within a reasonable time and acquire the equipment economically, the Ministry advised us that it reviewed and changed the Special Equipment Amount funding guidelines. The Ministry further advised us that it introduced a five-year plan in the 2010/11 fiscal year to convert 85% of such funding into a per-pupil amount for the purchase of computers, software, other computing-related devices, and training and technician costs. The Ministry also informed us that the guideline changes are to provide predictable funding so that school boards can realize savings by acquiring specialized equipment for groups of students and by establishing purchasing consortia with other boards.

The Ministry also advised us that in the last two years in particular it has worked with the Ontario Software Acquisition Program Advisory Committee to make a priority the negotiation of provincial licences for software and specialized equipment to support students with special education needs.

With respect to requiring school boards to assess the effectiveness of the equipment they purchase, the Ministry informed us that boards are required under the revised Special Equipment Amount funding guidelines to report, beginning in December 2010, to the Ministry how the new per-pupil amount allocation is improving student access to specialized equipment and supporting student learning.

OTHER MATTER

Recommendation 14

To ensure that Special Incidence Portion grants are correctly calculated, the Ministry should reconcile the funding provided to each board's actual claims annually.

Status

The Ministry informed us that it is reconciling school board claims on a more timely basis following receipt of the school board's audited financial statements so that the following year's board funding payments are adjusted for any differences. In both the 2008/09 and 2009/10 school years, Special Incidence Portion claims approvals were completed and the school boards were informed of their final allocation before the end of the school year.

Chapter 5

Review of Government Advertising

INTRODUCTION

December 2010 marks the fifth anniversary of the coming into force of the *Government Advertising Act, 2004* (Act), which requires the Auditor General to review government ads against specified standards. In carrying out this duty, I believe the work of my Office has helped fulfill the pledge made by the then Minister of Government Services when the Act took full effect on January 30, 2006: "No longer will government advertising be used to further the interests of politicians and political parties or to attack groups critical of the government."

This chapter, which satisfies the legislative requirements in the Act as well as in the *Auditor General Act* to report annually to the Legislative Assembly, provides more detail on the advertising review function and summarizes the work we have done over the past year to ensure continued adherence to the principle of non-partisan government advertising.

HISTORY

The Act's roots go back to the mid-1990s, when legislators expressed concern about publicly funded advertising that appeared to further a government's partisan interests. Most people recognize the right of political parties and individuals to use advertising to deliver their message, as long as they use their own money. However, no government should take unfair advantage of its position in power and the significant financial resources at its disposal to push its own partisan message through public advertisements using taxpayer dollars.

Our *1999 Annual Report* reflected concerns that had arisen regarding partisan government advertising and asked whether it was appropriate for the government of the day to use public funds for certain advertising and communications campaigns. The report noted that there were no formal criteria to help distinguish "informative government advertising and party-political advertising" and suggested that it would be helpful for the government to "consider the establishment of principles, guidelines, and criteria that clearly define the nature and characteristics of taxpayer-funded advertising."

Four private members' bills, each seeking to provide a legislative framework for government advertising, were introduced from 1999 to 2003. At the end of 2003, the government introduced Bill 25, which would become the *Government Advertising Act*. This legislation was passed into law in 2004 and, after a brief transition period starting in December 2005, took full effect in January 2006.

The main intent of the Act is to prohibit any government advertising that could be viewed as promoting the governing party's political interests by fostering a positive impression of the government or a negative impression of any group or person critical of the government. The Act also sets standards that each advertisement must meet and promotes transparency by requiring that an advertisement clearly state that it is paid for by the government of Ontario.

The complete Act, which can be found at **www.e-laws.gov.on.ca**, requires most proposed government advertisements to be submitted to and approved by the Auditor General before they can be used.

Overview of the Advertising Review Function

Under the Act, the Auditor General is responsible for reviewing specified types of government advertising to ensure that they meet legislated standards and that, above all, they do not contain anything that is, or may be interpreted as being, primarily partisan in nature. The Act outlines various standards each advertisement must meet and states that "an item is partisan if, in the opinion of the Auditor General, a primary objective of the item is to promote the partisan political interests of the governing party." The Act also provides the Auditor General with the discretionary authority to consider additional factors in determining whether a primary objective of an item is to promote the partisan political interests of the governing party (see the section titled Other Factors later in this chapter).

WHAT FALLS UNDER THE ACT

The Act currently applies to advertisements authorized by government offices—specifically, government ministries, Cabinet Office, and the Office of the Premier. These offices must submit all proposed advertising that is subject to the Act to my Office for review and approval before it can be used.

The Act applies to advertisements that government offices will be paying to have published in a newspaper or magazine, displayed on a billboard, or broadcast on radio or television; and to printed matter that a government office proposes to pay to have distributed unaddressed to households in Ontario either by bulk mail or by another method of bulk delivery. Advertisements meeting any of these definitions—in English, French, and/or any other languages—are known as "reviewable" items.

The Act specifically excludes from review any advertisement or printed matter that is a job advertisement or a notice to the public required by law. Also excluded are advertisements concerning the provision of goods and services to a government office and those regarding an urgent matter affecting public health or safety.

Although the following are not specifically excluded by the Act, we have come to a mutual understanding with the government that they are not subject to the Act:

- electronic advertising on government or any other websites, except for web pages identified and promoted in a reviewable item (see the Websites subsection later in this chapter); and
- brochures, pamphlets, newsletters, news releases, consultation documents, reports, and other similar printed matter, materials, or publications.

SUBMISSION AND USE OF ADVERTISING ITEMS

Sections 2, 3, 4, and 8 of the Act require that government offices submit every reviewable item to the Auditor General's Office for review. The government office cannot publish, display, broadcast, distribute, or disseminate the submitted item until the head of that office (that is, the deputy minister) receives notice, or is deemed to have received notice, that the advertisement has been approved.

The Auditor General's Office, by regulation, has seven business days within which to render its decision. If we do not give notice within this time frame, the government office is deemed to have received notice that the item meets the standards of the Act, and it may run the advertisement.

If we advise a government office that the item does not meet the Act's standards, the item may not be used. However, the government office may submit a revised version of the rejected item for a further review. As with the first submission, my Office has seven days to render its decision.

Once an item has been approved, a government office may use it for the next 12 months. Under the Act, all decisions of the Auditor General are final.

STANDARDS FOR PROPOSED ADVERTISEMENTS

In conducting its review, the Auditor General's Office first determines whether the proposed advertisement—a reviewable item—meets the standards of the Act, as follows:

- The item must be a reasonable means of achieving one or more of the following objectives:
  - to inform the public of current or proposed government policies, programs, or services;
  - to inform the public of its rights and responsibilities under the law;
  - to encourage or discourage specific social behaviour in the public interest; and/or
  - to promote Ontario, or any part of the province, as a good place to live, work, invest, study, or visit, or to promote any economic activity or sector of Ontario's economy.
- The item must include a statement that it is paid for by the government of Ontario.
- The item must not include the name, voice, or image of a member of the Executive Council (cabinet) or a member of the Legislative Assembly (unless the primary target audience is located outside Ontario, in which case the item is exempt from this requirement).
- The item must not have as a primary objective the fostering of a positive impression of the governing party, or a negative impression of a person or entity critical of the government.

The item must not be partisan; that is, in the opinion of the Auditor General, it cannot have as a primary objective the promotion of the partisan political interests of the governing party.

OTHER FACTORS

In addition to the specific statutory standards above, the Act allows the Auditor General to consider additional factors to determine whether a primary objective of an item is to promote the partisan political interests of the governing party [subsection 6(4)]. In general, the additional factors that we consider relate to the general impression conveyed by the message and how it is likely to be received or perceived. In determining whether an item may be received or perceived as partisan, consideration is given to whether it includes certain desirable characteristics and avoids certain undesirable ones, as follows:

- Each item should:
  - contain subject matter relevant to government responsibilities (that is, the government should have direct and substantial responsibilities for the specific matters dealt with in the item);
  - present information objectively, in tone and content, with facts expressed clearly and accurately, using unbiased and objective language;
  - emphasize facts and/or explanations, not the political merits of proposals; and
  - enable the audience to distinguish between fact on the one hand and comment, opinion, or analysis on the other.
- Items should not:
  - use colours, logos, and/or slogans commonly associated with any recognized political party in the Legislative Assembly of Ontario;
  - inappropriately personalize (for instance, by attacking opponents or critics);
  - directly or indirectly attack, ridicule, or criticize the views, policies, or actions of those critical of the government;

- be aimed primarily at rebutting the arguments of others;
- intentionally promote, or be perceived as promoting, political-party interests (to this end, consideration is also given to such matters as timing of the message, the audience it is aimed at, and the overall environment in which the message will be communicated);
- deliver self-congratulatory or political-party image-building messages;
- deal with matters such as a policy proposal where no decision has yet been made, unless the item provides a balanced explanation of both the benefits and the costs;
- present pre-existing policies, products, services, or activities as if they were new; or
- use a uniform resource locator (URL) to direct readers, viewers, or listeners to a "first-click" web page with content that may not meet the standards required by the Act (see Websites).

OTHER REVIEW PROTOCOLS

Since taking on responsibility for reviewing government advertising, my Office has endeavoured to clarify, in co-operation with government offices, areas where the Act is silent. What follows is a brief discussion of the main areas that have required clarification over the years.

Websites

Although websites are not specifically designated as reviewable under the Act, it is our view that a website mentioned in an advertisement is an extension of the ad. Following discussions with the government, we came to an agreement that the first page or "click" of a website accessed using the URL in a reviewable item would be included in our review. We agreed not to consider web pages beyond the first click, unless that first click serves only to redirect users to service in the language of their choice. In such instances, we review the landing page that follows the choice-of-language page. We examine the first-click page for any information or messages that may not meet the standards of the Act. For example, the first-click web page must not include a minister's name, voice, or image, nor deliver self-congratulatory, party image-building messages, nor messages that attack the policies, opinions, or actions of others.

Event/Conference Program Advertisements and Payments in Kind

Government advertisements sometimes appear in programs and other materials distributed at public events such as conferences, trade shows, and exhibitions. In considering this type of advertisement, we concluded that it should be subject to the Act because the programs usually follow the same format and serve a similar purpose as magazines and other print media (that is, advertisements are interspersed with content).

On the issue of payment for the advertisement, government offices often make in-kind or financial contributions to an event, including paid sponsorship, and receive ad space in return. We consider the "free" advertisement to have been indirectly paid for because it would typically not have been granted if the government office had not made a financial contribution to or sponsored the event. Government officials have agreed with our approach to advertisements in programs distributed at public events. Consequently, items in these programs must be submitted for review. We have decided to apply this same reasoning to other types of government advertising, where the spot (be it on television or radio, in print, or on a billboard) was obtained as a result of some other sort of financial support or in-kind payment.

Third-party Advertising

Government funds provided to third parties are sometimes used for the purpose of advertising. The government and my Office have agreed that, for third-party advertising, an ad must be submitted for review if it meets all of the three following criteria:

- a government office provides the third party with funds intended to pay part or all of the cost of publishing, displaying, broadcasting, or distributing the item;
- the government grants the third party permission to use the Ontario logo or another official provincial visual identifier in the item; and
- the government office approves the content of the item.

Government Recruitment Advertisements

As previously noted, the Act specifically excludes job advertisements from review. We have interpreted this exemption to apply to advertising for specific government jobs, but not to broad-ranging generic recruitment campaigns, such as ads for the recruitment of medical professionals in Ontario. The government has agreed with our interpretation. As a result, generic recruitment campaigns must be submitted to my Office for review.

Environmental Assessment Notices

The Act exempts from review any government notices required by law. Nevertheless, the Ministry of Natural Resources used to routinely submit for review and approval advertisements for certain classes of environmental assessment notices for provincial parks and conservation reserves. We discussed this with ministry representatives and came to an agreement that, because of the statutory nature of these advertisements, they do not require clearance through my Office.

Pre-reviews and Consultations

A pre-review is available to government offices wishing to have us examine an early version of an item. This can be a script or storyboard, provided that it reasonably and accurately reflects the item as it is intended to appear when completed. Pre-reviews help limit the investment of time and money to develop items containing material that could be deemed objectionable under the Act.

If material submitted for pre-review appears to violate the Act, we explain why to the government office. If it appears to meet the standards of the Act, we so advise the government office. However, before the item can be published, displayed, broadcast, printed, or otherwise disseminated, the government office must submit the finished item for review to ensure that it still meets the standards of the Act.

A pre-review is strictly voluntary on our part and is outside the statutory requirements of the Act.

External Advisers

Under the *Auditor General Act*, the Auditor General can appoint an Advertising Commissioner to assist in fulfilling the requirements of the *Government Advertising Act, 2004*. However, to date, my Office has been able to rely on the expertise of external advisers to provide assistance and advice in the ongoing review of items submitted for review. The following advisers have been engaged at various times by my Office during the 2009/10 fiscal year:

- Rafe Engle is a Toronto lawyer who specializes in advertising, marketing, communications, and entertainment law. He is also the outside legal counsel for Advertising Standards Canada. Before studying law, Mr. Engle acquired a comprehensive background in media and communications while working in the advertising industry.
- Jonathan Rose is Associate Professor of Political Studies at Queen's University. He is a leading Canadian academic with interests in political advertising and Canadian politics. Professor Rose has written a book on government advertising in Canada and a number of

articles on the way in which political parties and governments use advertising.

- Joel Ruimy is a Toronto communications consultant with many years of experience as a journalist, editor, and producer covering Ontario politics in print and television.
- John Sciarra is the former Director of Operations in my Office. He was instrumental in leading the implementation of our advertising review function and in drafting the guidelines that we have distributed to ministries to assist them in complying with the requirements of the Act.

These advisers provided invaluable assistance in our review of government advertising this past fiscal year.

Advertising Review Activity, 2009/10

In the 2009/10 fiscal year, we reviewed 600 individual advertising items, in 159 submissions, with a total value of more than $40 million. In all but one case, we provided our decision within the required seven-day window (the exception was due to an administrative oversight on our part). The length of time required for a review and decision can vary, depending on the complexity of the message and other work priorities of our Advertising Review Panel. Nevertheless, our average turnaround time during the past fiscal year was 3.3 business days.

Of all the final submissions reviewed, two, consisting of eight final versions of ads relating to proposed tax changes that included the new Harmonized Sales Tax (HST), were rejected because they were deemed to violate subsection 6(1)5 of the Act. Specifically, the Advertising Review Panel believed that messaging in the ads was focused mainly on persuading the audience of the benefits of the proposed tax changes, rather than on informing Ontarians of the tax changes and related impacts, and therefore they promoted the partisan political interests of the governing party.

We also recorded two contraventions of the Act involving advertisements that ran without having been submitted to us for review or ran in advance of the review being completed and an approval being issued:

- The Ministry of Revenue submitted a series of ads on tax changes, including the HST, a number of which ran in multicultural newspapers before we had completed our review and issued our approval (the ads were translated versions of an English-language ad that had already been approved). Officials at the Ministry indicated that this was an administrative oversight and said they were taking steps to ensure that ministry staff and their ad agencies were aware of the required approval process.
- The Ontario Provincial Police (OPP), which is overseen by the Ministry of Community Safety and Correctional Services, ran two radio advertisements and one print advertisement without first submitting them to our Office. The OPP said that a lack of familiarity with the requirements of the Act was to blame and promised to put in place measures to ensure that staff are more aware of the requirements of the Act. We determined that the ads in question, had they been submitted, would have been approved.

In addition, we advised the Ministry of Energy and Infrastructure that it may have been in violation of the Act for having prepared billboard templates and directed all Ontario recipients of funding from the federal–provincial infrastructure program to place these billboards on project sites. These billboards featured promotional messaging from the government of Ontario. Though we do not have an exact count of the number of billboards erected, there were more than 2,500 infrastructure projects in the province. We felt that these billboards met the criteria for advertising, and that templates of the basic signs should have been submitted to us for review. However, the government did not initially agree with our position, and this issue is further discussed in the section titled Infrastructure Project Billboards later in this chapter.

We also reviewed 16 pre-review submissions containing 51 ads that were at a preliminary stage of development. Pre-reviews are strictly voluntary on our part and outside the statutory requirements of the Act, so they are second in priority to finished items. Nonetheless, we make every effort to complete pre-reviews within a reasonable time. The average turnaround time for pre-review submissions in the 2009/10 fiscal year was about 5.4 business days.

In reviewing all government advertising activity undertaken in 2009/10, three campaigns stand out as needing further discussion with respect to our review role—the H1N1 flu pandemic, HST, and Infrastructure Project advertising.

EXCLUSION OF H1N1 ADVERTISING

The Act provides for certain classes of advertising items to be excluded from review, including ads that concern "an urgent matter affecting public health or safety." The clause was designed to enable the government to move swiftly to communicate with the public at times of emergency without having to wait for the statutory review process, which can take up to seven working days. During the 2009/10 fiscal year, for the first time in the history of the Act, the exclusion for an "urgent matter" was claimed by the government for the Ministry of Health and Long-Term Care's campaign on the H1N1 flu. Beginning in the spring of 2009, the Ministry of Health and Long-Term Care notified us that it intended to invoke this section of the Act to run H1N1-related ads without submitting them to our Office for review. At the time, we agreed that the outbreak qualified as an urgent matter. Over the course of the year, the Ministry prepared and ran a number of advertisements pertaining to H1N1 using a variety of media without having to submit them to our Office for review (though a print ad and television spot prepared at the end of the summer in anticipation of flu season were sent to us for review and were approved).

Over time, however, we noted that parts of the H1N1 campaign began to take on the features of a more typical, co-ordinated, and longer-running advertising campaign (with various phases and long print/broadcast runs). Therefore, in January 2010, after the province's mass-inoculation program had wound down, we contacted officials at the Ministry of Health and Long-Term Care to advise them of this and to seek clarification on the criteria they were using to monitor the "urgent" status of H1N1. In response, ministry officials indicated they had been consulting and would continue to consult their public-health experts regularly, with a view to verifying and updating the "urgent matter" assessment. Officials there assured us that as soon as the matter was no longer considered urgent, the Ministry would submit all proposed new and not formerly submitted H1N1 ads for our review.

In August 2010, the World Health Organization declared the end of the H1N1 pandemic, and we wrote to the Ministry to advise it that, in our opinion, the urgent situation that had existed during the H1N1 pandemic no longer applied and that the Ministry should submit all future H1N1 advertising for review. As well, we indicated that in any future instances of "urgent" health matters, we would request that the province should more formally provide us with notification and, where possible, proof of the determination of an urgent matter by an appropriate official (for example, the Chief Medical Officer of Health) to support the notification.

THE HST CAMPAIGN

Over the course of the year, much was written about the government's planned advertising around its move to a harmonized sales tax (HST). I want to discuss the matter briefly here because I believe that it is a good example of the Act working as was intended when passed by the Legislative Assembly.

During the 2009/10 fiscal year, we received a number of advertising submissions concerning the government's change in tax policy—many were pre-review submissions, with some ads at an early stage of development as scripts and storyboards, and some as finished items. In all cases, the Advertising Review Panel gave considerable thought to the proposed ads, and, at times, the Panel determined that the proposed ads did not meet the standards set by the Act. In those cases, the Panel generally believed that the ads were too focused on selling the merits of the policy (in some cases before the bill had even been passed by the Legislature) rather than on providing objective and useful information to Ontarians. Nevertheless, we acknowledged the need to inform the public of the new tax policy and provided specific feedback outlining our concerns at every opportunity. In some cases, we also met with government officials (first with the Ministry of Finance, and then with the Ministry of Revenue, which eventually assumed responsibility for the tax-change campaign) to discuss any concerns in greater detail.

We believe that this ongoing dialogue helped contribute to the creation of tax-change ads that were in keeping with the Act and that we were able to approve. The decision by our Office to allow for pre-review submissions, which are not provided for in the Act but which we have incorporated in our process, afforded the government some flexibility to work with its advertising agencies on different approaches without having to incur substantial costs. In the end, we believe that the activities surrounding this campaign demonstrate the Act working as it should to ensure that government advertising met the required standards and was not partisan.

It is worth noting, however, that with respect to the HST advertising, we observed a few instances demonstrating the limitations of the Act. For instance, although we had identified an ad submission from April 2009 as not meeting the required standards, a similar web advertisement was already running on-line. As well, a one-page insert from the Ontario government containing promotional wording typical of advertising copy was included with the tax rebate cheques that the federal government mailed to Ontarians in the summer of 2010. Although neither of these cases constituted a violation of the Act, they did serve to highlight areas not covered by the Act.

INFRASTRUCTURE PROJECT BILLBOARDS

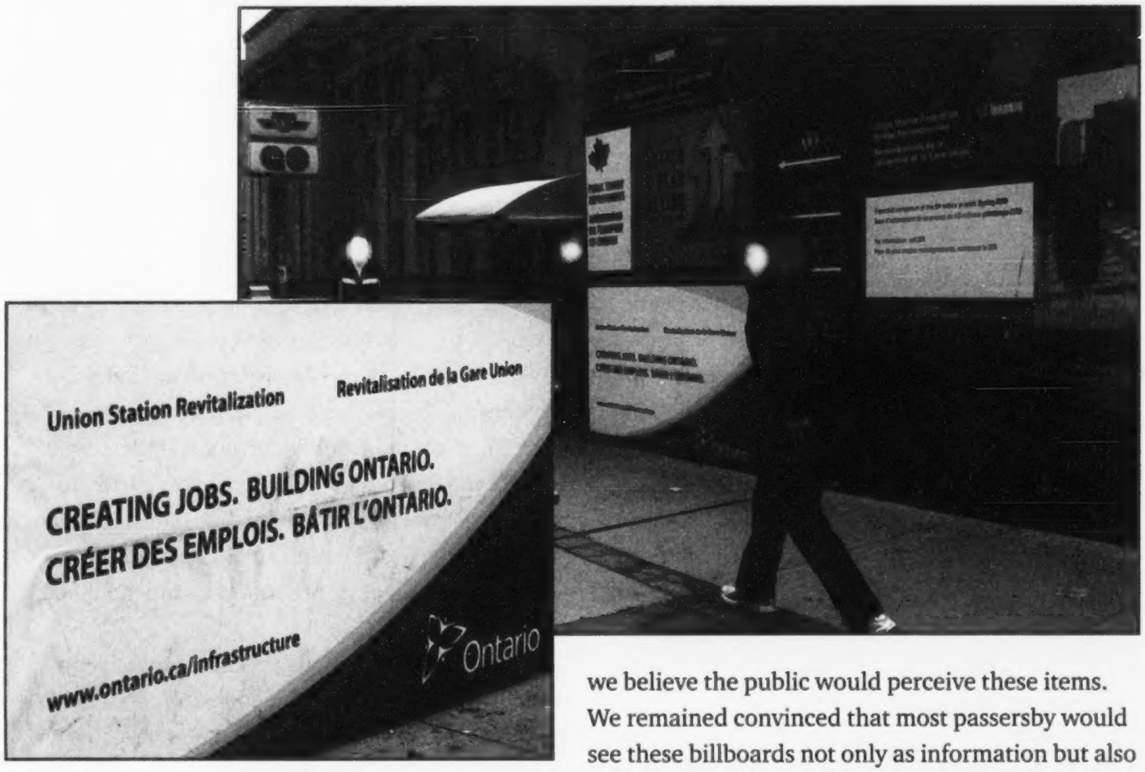
In the spring of 2010, a number of billboards came to our attention that appeared to be government-sponsored advertising but that had not been submitted to us for review. These billboards appeared at sites where work was being undertaken under the federal–provincial economic stimulus infrastructure program, with program recipients required to erect the billboards as part of their funding agreements. An example of such billboards is reproduced in Figure 1.

We wrote to a senior government official on June 29, 2010, to voice our concerns about these billboards not having been submitted. The government's view was that they were "signs" rather than billboards, and thus not subject to the Act. Further, it felt that such infrastructure "signage" had been in use for many years and that it constituted "information" rather than advertising. Finally, the government said that these items had been placed by organizations that were not in the business of selling ad space and so did not fall under the Act.

We then held discussions with various government officials to discuss our respective views. The government's position was that these items were not meant to be captured by the Act, "either in spirit or scope." However, my Office continued to believe—and we did seek legal advice on this issue—that the infrastructure "signs" in question met all reasonable tests of what constitutes a billboard. For instance, in making a claim like "Creating Jobs. Building Ontario," they communicate more than the simple, objective information on what is usually considered signage, and because

Figure 1: Example of Infrastructure Funding Billboards

Photograph: Office of the Auditor General of Ontario


Union Station Revitalization
Revitalisation de la Gare Union
CREATING JOBS. BUILDING ONTARIO.
CRÉER DES EMPLOIS. BÂTIR L'ONTARIO.
www.ontario.ca/infrastructure
Ontario

they are branded with the identifiers and logos of the Ontario government, the message is clearly meant to be delivered by the government to the public. Furthermore, they are placed in highly visible areas to reach as many passersby as possible, and they are part of a large, co-ordinated campaign that was rolled out across the province. Finally, all of these billboards meet the criteria set out in the Act and/or in the related guidelines for what items need to be reviewed by my Office—specifically, all advertising items that the government proposes to pay to have displayed, whether that payment is made directly or indirectly, such as through sponsorship funding, and whether the advertiser is the government or a third party (see Third-party Advertising earlier in this chapter).

In considering the issue and the government's counter-arguments, we also tried to view the matter according to the stipulations of the Act and to how we believe the public would perceive these items. We remained convinced that most passersby would see these billboards not only as information but also as promotion of a government program, consistent with other forms of government advertising. Finally, in the course of our discussion with government officials, we sought to allay any concerns about the potential difficulty of clearing such a large number of billboards all at once by reminding them of our practice of reviewing template advertising (the government submits a template ad where certain fields of information may change according to time/location/name of project, but the key message remains the same), and that our review and approval process has always been quick and efficient.

On September 28, 2010, I wrote to government officials a second time in the hope of resolving this issue. On October 6, 2010, government officials advised us that they wished to discuss with us a process for submitting the signs for review by my Office under the *Government Advertising Act* on a go-forward basis. From our perspective, assuming this can be implemented relatively quickly, this would be an acceptable resolution of this issue.

Expenditures on Advertisements and Printed Matter

The *Auditor General Act* requires that the Auditor General report annually to the Legislative Assembly on expenditures for advertisements, printed matter, and messages that are reviewable under the *Government Advertising Act, 2004*.

Figure 2 contains expenditure details of individual advertising campaigns reported to us by each ministry for media-buy costs; agency creative costs; third-party production, talent, and distribution costs; and other third-party costs, such as translation.

In order to test the completeness and accuracy of the reported advertising expenditures, my Office reviewed randomly selected payments to suppliers of advertising and creative services and their supporting documentation at selected ministries. We also performed certain compliance procedures with respect to the requirements of sections 2, 3, 4, and 8 of the *Government Advertising Act, 2004*, which pertain to submission requirements and prohibition on the use of items pending the Auditor General's review. We found no matters of concern in our review work.

Figure 2: Expenditures for Reviewable Advertisements and Printed Matter under the *Government Advertising Act, 2004*, April 1, 2009–March 31, 2010

Source of data: Ontario government offices

Ministry/Campaign Title	# of Submissions	# of Items	Agency Costs ($)	Third-party Costs ($) Production	 Talent	 [illegible]	 Other
Aboriginal Affairs							
Aboriginal Youth	1	1	–	–	–	–	55
Agriculture, Food and Rural Affairs							
Business Development	1	1	–	–	–	–	–
Event Program	5	6	–	–	–	–	–
Foodland Ontario	1	4	120,540	533,813	12,000	–	–
Foodland Ontario [1]	–	–	–	–	20,000	–	–
Foodland Ontario [2]	1	3	–	–	–	–	–
Pick Ontario Freshness	5	15	58,881	122,830	32,870	–	–
Pick Ontario Freshness [1]	–	–	–	–	68,110	–	–
Attorney General							
Recruitment	1	1	–	–	–	–	–
Children and Youth Services (Women's Issues)							
Ontario Child Benefit	2	19	55,400	26,550	12,400	–	2,300
Ontario Child Benefit [1]	–	–	–	–	–	–	–
Citizenship and Immigration							
D-Day Ceremony	1	2	650	75	–	–	902
Global Experience Ontario	1	1	–	800	–	–	–
Remembrance Day Ceremony	1	2	253	45	–	–	–
Community and Social Services (Francophone Affairs)							
Adoption Disclosure	1	2	127,525	58,069	–	–	–
Adoption Disclosure [1]	–	–	–	–	–	–	–
Profile of Francophones	1	1	–	945	–	–	–
Community Safety and Correctional Services							
Arrive Alive	1	1	–	–	–	–	–
OPP Anniversary [3]	–	–	–	–	–	–	–
Public Notice [2]	1	2	–	–	–	–	269
RIDE	1	8	–	7,976	6,764	–	–
Economic Development and Trade							
Business Immigration	3	24	15,895	6,903	–	–	2,912
Go North	6	22	143,268	65,250	–	–	10,772
International Trade	3	5	30,388	10,807	–	–	4,524
Invest Ontario	19	77	1,349,424	717,672	17,388	–	59,946
Invest Ontario [2]	2	6	–	–	–	–	–
Invest Ontario/Go North [1]	–	–	–	–	–	–	–

1. ad submission from 2008/09, with (more) expenditures in 2009/10
2. ad submission from 2009/10, with (more) expenditures to be reported in 2010/11
3. contravention—ad was not submitted for review

Media Costs ($)						
In-house	Media Buying Services				Ad Value†	Campaign
Media Buy	TV	Radio	Print	Out-of-Home*	($)	Total ($)
–	–	–	–	–	1,500	1,555
6,400	–	–	12,610	–	–	19,010
1,590	–	–	–	–	6,870	8,460
–	–	–	–	–	–	666,353
–	2,330,310	525,968	–	28,780	–	2,905,058
–	–	–	–	–	–	–
–	533,427	590,312	109,427	219,572	–	1,667,319
–	1,352,548	–	–	–	–	1,420,658
–	–	–	–	–	2,500	2,500
–	–	54,429	269,576	–	–	420,655
–	–	–	–	5,828	–	5,828
–	–	–	26,808	–	–	28,435
–	–	–	–	–	–	800
–	–	–	27,986	–	–	28,284
–	–	–	1,756,761	–	–	1,942,355
–	–	–	720,079	–	–	720,079
5,500	–	–	–	–	–	6,445
1,620	–	–	–	–	–	1,620
966	–	–	–	–	–	966
–	–	–	–	–	–	269
–	292,231	–	–	–	–	306,971
11,607	–	–	138,205	–	–	175,522
–	–	–	850,965	–	–	1,070,255
–	–	–	35,080	–	5,000	85,799
–	3,695,437	–	3,372,902	1,097,407	15,338	10,325,514
–	–	–	–	–	–	–
–	–	–	89,203	–	3,450	92,653

* Out-of-Home advertising includes, for example, billboards and transit posters.

† Ad Value denotes the value of an ad space provided to government offices at no cost, often where the government has provided funding for a related event/publication.

Ministry/Campaign Title	# of Submissions	# of Items	Agency Costs ($)	Third-party Costs ($)			
				Production	Talent	Bulk Mail	Other
Education							
Kidstreet	1	1	–	–	–	–	–
Energy and Infrastructure							
Energy Conservation/Peak Management	2	10	139,357	395,309	38,432	–	4,000
Infrastructure	2	8	153,079	680,482	29,546	–	–
Ontario Home Energy Savings Program	2	23	41,840	86,084	12,733	–	393
Environment							
Additup	2	3	10,390	–	–	–	–
Additup [1]	–	–	10,390	–	–	–	–
Event Program	1	1	–	–	–	–	–
Green Energy Act	1	1	–	387	–	–	–
Public Information Session	3	3	–	673	–	–	–
Waste Diversion Act [4]	1	1	–	400	–	–	–
Finance							
Comprehensive Tax Reform [5]	1	6	147,479	–	–	–	–
Ontario Savings Bonds	2	29	334,425	496,526	21,371	–	13,425
Government Services							
Service Notice	6	40	–	–	–	–	522
ServiceOntario [1]	–	–	–	–	–	–	–
ServiceOntario [2]	3	19	–	4,550	–	–	439
Val Tag	1	3	8,240	9,500	–	–	68
Health and Long-Term Care							
ColonCancerCheck	1	1	7,551	1,153	8,723	–	145
Family Health Teams	2	4	–	10,970	–	2,091	–
H1N1	5	24	112,606	388,539	38,719	470,318	18,091
Health Care Options	5	10	50,445	413,135	1,239	33,001	98
Health Care Options [1]	–	–	176,601	839	47,019	–	–
HealthForceOntario	2	7	–	–	–	–	–
HPV	2	3	61,070	21,779	8,597	–	116
Public Notice [2]	1	2	–	–	–	–	–
Health Promotion							
Diabetes Prevention [1]	–	–	–	–	–	–	–
EatRight Ontario	4	38	6,985	110,561	–	–	–
EatRight Ontario [1]	–	–	13,551	–	–	–	–
EatRight Ontario [2]	2	2	–	–	–	–	–
World Junior Hockey – Sponsorship [1]	–	–	–	–	–	–	–

1. ad submission from 2008/09, with (more) expenditures in 2009/10
2. ad submission from 2009/10, with (more) expenditures to be reported in 2010/11
4. ad cancelled or did not run
5. violation—ad was reviewed and did not meet the required standards

Media Costs ($)						
In-house	Media Buying Services				Ad Value†	Campaign
Media Pro	TV	Radio	Print	Out-of-Home*	($)	Total ($)
1,100	–	–	–	–	–	1,100
–	1,070,981	–	–	–	–	1,648,079
–	1,150,145	–	–	764,397	–	2,777,649
–	–	429,821	162,949	–	–	733,820
40,042	–	–	–	–	500	50,932
40,042	–	–	–	–	–	50,432
–	–	–	–	–	300	300
–	–	–	13,610	–	–	13,997
–	–	–	3,502	–	–	4,175
–	–	–	–	–	–	400
–	–	–	–	–	–	147,479
–	768,828	220,922	460,562	165,552	–	2,481,611
–	–	–	57,535	–	–	58,057
–	–	–	1,305	–	–	1,305
–	–	–	19,951	–	–	24,940
–	–	–	21,252	–	–	39,060
–	495,413	–	–	–	–	512,985
–	–	–	296,145	–	–	309,206
–	683,219	–	–	–	–	1,711,492
–	–	–	389,278	127,190	–	1,014,386
–	2,466,536	–	–	–	–	2,690,995
–	29,863	–	198,240	–	–	228,103
–	–	–	112,505	–	–	204,067
–	–	–	–	–	–	–
–	–	–	424,849	–	–	424,849
–	–	–	636,731	255,794	–	1,010,071
–	145,143	–	–	–	–	158,694
–	–	–	55,023	–	–	55,023
–	–	–	–	–	50,000	50,000

* Out-of-Home advertising includes, for example, billboards and transit posters.

† Ad Value denotes the value of an ad space provided to government offices at no cost, often where the government has provided funding for a related event/publication.

Ministry/Campaign Title	# of Submissions	# of Items	Agency Costs ($)	Third-party Costs ($) Production	Talent	Bulk Mail	Other
Labour							
Minimum Wage	1	12	4,488	–	–	–	6,000
Safe at Work Ontario	1	1	–	–	–	–	–
Safe at Work Ontario [1]	–	–	–	–	–	–	–
Municipal Affairs and Housing							
Affordable Housing Strategy Consultations	1	2	–	6,791	–	–	75
Ontario West Municipal Conference	1	1	–	–	–	–	–
Natural Resources							
50 Million Tree Program	5	8	–	5,539	–	–	227
Bear Wise [2]	1	9	–	4,800	–	–	–
Chronic Wasting Disease	1	1	–	378	–	–	–
Committee Membership	1	1	–	–	–	–	–
Committee Membership [1]	–	–	–	–	–	–	–
Deer Check Station	1	1	–	–	–	–	–
Event Program	1	1	–	342	–	–	–
Fall Walleye Index Netting	1	1	–	–	–	–	–
FireSmart Wildfire Prevention	1	14	–	1,167	–	–	–
FireSmart Wildfire Prevention [2]	1	2	–	–	–	–	–
Kids Fish Art Contest	1	1	–	181	–	–	–
Land Management	1	1	–	–	–	–	–
Land Management [2]	1	1	–	–	–	–	–
Ontario Parks	12	13	–	–	–	–	–
Ontario Parks [1]	–	–	–	116	–	–	–
Ontario Parks [2]	4	4	–	–	–	–	–
Outdoors Card Renewal	1	1	–	227	–	–	–
Seasonal Leasing of Campsites [1]	–	–	–	–	–	–	58
Vacant Bear Management Areas	1	1	–	–	–	–	–
Water Management Plan	1	1	–	–	–	–	–
Northern Development, Mines and Forestry							
Mining Act Amendments	1	1	–	–	–	–	–
Northern Ontario Heritage Fund Corporation	1	2	–	–	–	–	–
Public Notice	1	2	–	–	–	–	–
Research and Innovation							
Invest Ontario [6]	–	–	–	–	–	–	–

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1. ad submission from 2008/09, with (more) expenditures in 2009/10
2. ad submission from 2009/10, with (more) expenditures to be reported in 2010/11
6. ad developed by another ministry, but used here

Media Costs ($)						
In-house	Media Buying Services				Ad Value†	Campaign
Media Buy	TV	Radio	Print	Out-of-Home*	($)	Total ($)
–	–	–	146,314	–	–	156,802
–	–	–	–	–	1,895	1,895
–	–	–	–	–	4,000	4,000
–	–	–	50,296	–	–	57,162
–	–	–	–	–	1,195	1,195
37,562	–	–	–	–	–	43,328
7,864	–	–	139,438	–	–	152,102
–	–	–	–	–	7,500	7,878
–	–	–	949	–	–	949
–	–	–	347	–	–	347
–	–	–	382	–	–	382
–	–	–	–	–	8,795	9,137
–	–	–	289	–	–	289
900	–	–	613	–	–	2,680
–	–	–	–	–	–	–
–	–	–	–	–	7,500	7,681
–	–	–	338	–	–	338
–	–	–	–	–	–	–
22,690	–	–	1,848	–	5,175	29,713
359	–	–	–	–	325	800
–	–	–	–	–	–	
–	–	–	–	–	7,500	7,727
–	–	–	1,944	–	–	2,002
–	–	–	667	–	–	667
–	–	–	1,575	–	–	1,575
–	–	–	13,795	–	–	13,795
–	–	–	–	–	11,779	11,779
–	–	–	21,290	–	–	21,290
5,900	–	–	–	–	16,000	21,900

* Out-of-Home advertising includes, for example, billboards and transit posters.

† Ad Value denotes the value of an ad space provided to government offices at no cost, often where the government has provided funding for a related event/publication.

Ministry/Campaign Title	# of Submissions	# of Items	Agency Costs ($)	Third-party Costs ($)			
				Production	Talent	Bulk Mail	Other
Revenue							
Comprehensive Tax Reform	2	48	70,186	16,400	9,800	–	17,500
Comprehensive Tax Reform [2]	2	6	–	–	–	–	–
Comprehensive Tax Reform [5]	1	2	–	–	–	–	–
Comprehensive Tax Reform [7]	1	19	139,404	13,499	3,550	–	10,998
Training, Colleges and Universities							
Employment Ontario	1	1	–	–	–	–	–
Employment Ontario [1]	–	–	–	–	–	–	–
Total	[illegible]	609	[illegible]	4,222,062	[illegible]	505,410	[illegible]

1. ad submission from 2008/09, with (more) expenditures in 2009/10
2. ad submission from 2009/10, with (more) expenditures to be reported in 2010/11
5. violation–ad was reviewed and did not meet the required standards
7. contravention–ads submitted for review, but ran before approval

Media Costs ($)						
In-house	Media Buying Services				Ad Value†	Campaign
Media Buy	TV	Radio	Print	Out-of-Home*	($)	Total ($)
–	–	–	1,010,057	–	–	1,123,943
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	167,451
–	–	–	–	–	25,000	25,000
–	–	–	–	–	8,501	8,501
184,142	**16,014,051**	**1,821,452**	**11,653,131**	**2,664,520**	[illegible]	**40,188,878**

* Out-of-Home advertising includes, for example, billboards and transit posters.

† Ad Value denotes the value of an ad space provided to government offices at no cost, often where the government has provided funding for a related event/publication.

Chapter 6

The Standing Committee on Public Accounts

Appointment and Composition of the Committee

The Standing Orders of the Legislative Assembly provide for the appointment of an all-party Standing Committee on Public Accounts. The Committee is appointed for the duration of the Parliament (that is, the period from the opening of the first session immediately following a general election to the dissolution of Parliament).

The membership of the Committee reflects proportionately the representation of parties in the Legislative Assembly. All members except the Chair are entitled to vote on motions; the Chair may vote only to break a tie.

In accordance with the Standing Orders, a Standing Committee on Public Accounts was appointed on December 10, 2007, for the duration of the 39th Parliament. The membership of the Committee when the House adjourned for the summer recess on June 3, 2010, was as follows:

Norm Sterling, Chair, Progressive Conservative
Peter Shurman, Vice-chair, Progressive Conservative
Aileen Carroll, Liberal
France Gélinas, New Democrat
Jerry Ouellette, Progressive Conservative
David Ramsay, Liberal
Liz Sandals, Liberal
Maria Van Bommel, Liberal
David Zimmer, Liberal

Role of the Committee

The Committee examines, assesses, and reports to the Legislative Assembly on a number of issues, including the economy and efficiency of government and broader-public-sector operations; the effectiveness of programs in achieving their objectives; and the reliability and appropriateness of information in the Public Accounts.

In fulfilling this role, pursuant to its terms of reference in the Standing Orders of the Assembly, the Committee reviews the Auditor General's Annual Report and the Public Accounts, holds a number of hearings throughout the year, and reports to the Legislative Assembly its observations, opinions, and recommendations. Under the Standing Orders, the Auditor General's Annual Reports and the Public Accounts are deemed to have been permanently referred to the Committee as they become available.

In addition, under sections 16 and 17 of the *Auditor General Act*, the Committee may request the Auditor General to examine any matter in respect of the Public Accounts or to undertake a special assignment in an area of interest to the Committee.

AUDITOR GENERAL'S ADVISORY ROLE WITH THE COMMITTEE

In accordance with section 16 of the *Auditor General Act*, the Auditor General and senior staff attend committee meetings to assist the Committee in its review and hearings related to the Auditor General's Annual Report and the Public Accounts.

Committee Procedures and Operations

GENERAL

The Committee may meet weekly when the Legislative Assembly is sitting. With the approval of the House, it may also meet at any time when the Legislative Assembly is not sitting. All meetings are open to the public with the exception of those dealing with the setting of the Committee's agenda and the preparation of committee reports. All public committee proceedings are recorded in Hansard (the official verbatim report of debates in the House, speeches, other proceedings in the Legislative Assembly, and all open-session sittings of standing and select committees).

The Committee selects matters from the Auditor General's Annual Report for hearings. These matters typically relate to the Auditor General's value-for-money audit work. The Auditor General, along with the Committee's researcher, briefs the Committee on these matters, and the Committee then requests senior officials from the auditee to appear and respond to questions at the hearings. Since the Auditor General's Annual Report deals with operational, administrative, and financial rather than policy matters, ministers rarely attend. Once the hearings are completed, the Committee reports its comments and recommendations to the Legislative Assembly.

The Committee also follows up on when and how the ministries, Crown agencies, and organizations in the broader public sector not selected for hearings will address the concerns raised in the Auditor General's Annual Report. This process enables each auditee to update the Committee on what it has done in response to the Auditor General's recommendations since the completion of the audit.

MEETINGS HELD

The Committee met 19 times during the October 2009–June 2010 period to complete reports on hearings related to sections from the *2008 Annual Report* for subsequent tabling in the Legislative Assembly, and to hold hearings on the Auditor General's special report on Ontario's Electronic Health Records Initiative (issued in October 2009) and hearings related to the following sections from the Auditor General's *2009 Annual Report*:

- Assistive Devices Program;
- Bridge Inspection and Maintenance;
- Education Quality and Accountability Office;
- Infection Prevention and Control in Long-term-care Homes;
- Literacy and Numeracy Secretariat;
- Ontario Disability Support Program;
- Teletriage Health Services;
- Unfunded Liability of the Workplace Safety and Insurance Board; and
- Unspent Grants, Public Accounts of the Province.

REPORTS OF THE COMMITTEE

The Committee issues its reports to the Legislative Assembly. These reports summarize the information reviewed by the Committee during its meetings, as well as make comments and recommendations.

All committee reports are available through the Clerk of the Committee (or on-line at **www.ontla.on.ca**), thus providing the public with full access to the findings and recommendations of the Committee.

After the Committee tables a report in the Legislative Assembly, it requests that ministries, agencies, or broader-public-sector organizations respond to each recommendation either within 120 days or within a time frame stipulated by the Committee.

During the period from September 2009 to June 2010, the Committee submitted the following reports relating to sections of the Auditor General's *2008 Annual Report* to the Legislative Assembly:

- *Adult Institutional Services;*
- *Brampton Civic Hospital Public–private Partnership Project;*
- *Child and Youth Mental Health Agencies;*
- *Community Mental Health;*
- *Employment and Training Division;*
- *Gasoline, Diesel-fuel, and Tobacco Tax;*
- *Ontario Clean Water Agency;*
- *School Boards—Acquisition of Goods and Services;* and
- *Special Education.*

In addition, the Committee submitted a report relating to the *Long-term-care Homes—Medication Management* section of the Auditor General's *2007 Annual Report*. The Committee also issued a report titled *Public Accounts Committee Best Practice 2009*, to highlight some innovative practices for consideration by future committees to enhance the effectiveness of their work, particularly in relation to recommendations involving organizations in the broader public sector.

FOLLOW-UP ON RECOMMENDATIONS MADE BY THE COMMITTEE

The Clerk of the Committee is responsible for obtaining responses from ministries, agencies, and organizations in the broader public sector on the actions taken in response to the Committee's recommendations. The Office of the Auditor General also reviews these responses and, in any subsequent audits of that operational area, follows up on the actions reported.

COMMITTEE MOTION TO CONDUCT A SPECIAL AUDIT

On October 21, 2009, the Committee requested that the Auditor General of Ontario "at his discretion, conduct spot audits on the use of consultants by the Ministry of Health and Long-Term Care, the 14 LHINs, and Ontario's hospitals." The Auditor General submitted a special report relating to this work titled *Consultant Use in Selected Health Organizations* to the Speaker of the House in October 2010.

OTHER COMMITTEE ACTIVITIES

Canadian Council of Public Accounts Committees

The Canadian Council of Public Accounts Committees (CCPAC) consists of delegates from federal, provincial, and territorial public accounts committees from across Canada. CCPAC holds a joint annual conference with the Canadian Council of Legislative Auditors to discuss issues of mutual interest. The 31st annual conference was hosted by Quebec and was held in Quebec City from August 29 to 31, 2010.

Chapter 7

The Office of the Auditor General of Ontario

The Office of the Auditor General of Ontario (Office) serves the Legislative Assembly and the citizens of Ontario by conducting value-for-money and financial audits and reporting on them. By doing this, the Office helps the Legislative Assembly hold the government, its administrators, and grant recipients accountable for how prudently they spend public funds and for the value they obtain, on behalf of Ontario taxpayers.

The work of the Office is performed under the authority of the *Auditor General Act*. In addition, under the *Government Advertising Act, 2004*, the Auditor General is responsible for reviewing and deciding whether or not to approve certain types of proposed government advertising (see Chapter 5 for more details on the Office's advertising review function). Both acts can be found at **www.e-laws.gov.on.ca.**

General Overview

VALUE-FOR-MONEY AUDITS IN THE ANNUAL REPORT

About two-thirds of the Office's work relates to value-for-money auditing. The Office's value-for-money audits are assessments of how well a given "auditee" (the entity that we audit) manages and administers a particular program or activity. The auditees that the Office has the authority to conduct value-for-money audits of are:

- Ontario government ministries;
- Crown agencies;
- Crown-controlled corporations; and
- organizations in the broader public sector that receive government grants (for example, hospitals, school boards, universities, community colleges, long-term-care homes, children's aid societies, and numerous community-based agencies that provide a variety of social and health-related services).

The *Auditor General Act* (Act) [in subclauses 12(2)(f)(iv) and (v)] identifies the criteria to be considered in this assessment:

- Money should be spent with due regard for economy.
- Money should be spent with due regard for efficiency.
- Appropriate procedures should be in place to measure and report on the effectiveness of programs.

The Act requires that, if the Auditor General observes instances where the three value-for-money criteria have not been met, he or she report on them. The Act also requires that he or she report on instances where the following was observed:

- Accounts were not properly kept or public money was not fully accounted for.

- Essential records were not maintained or the rules and procedures applied were not sufficient to:
    - safeguard and control public property;
    - check effectively the assessment, collection, and proper allocation of revenue; or
    - ensure that expenditures were made only as authorized.
- Money was expended other than for the purposes for which it was appropriated.

Assessing the extent to which the auditee was controlling against these risks is technically "compliance" audit work but is generally incorporated into both value-for-money audits and "attest" audits (discussed in a later section).

Generally, the focus of value-for-money audits is to assess whether the government program or operational area under review is being well run. Where possible, we compare the key processes and procedures to generally accepted best practices used in other jurisdictions for the service being provided to the public.

Government programs and activities are the result of government policy decisions. Thus, we could say that our value-for-money audits focus on how well management is administering and executing government policy decisions. It is important to note, however, that in doing so we do not comment on the merits of government policy. Rather, it is the Legislative Assembly that holds the government accountable for policy matters. The Legislative Assembly continually monitors and challenges government policies through questions during legislative sessions and through reviews of legislation and expenditure estimates.

In planning, performing, and reporting on our value-for-money work, we follow the relevant professional standards established by the Canadian Institute of Chartered Accountants. These standards require that we have processes for ensuring the quality, integrity, and value of our work. Some of the processes we use are described as follows.

Selecting What to Audit

The Office audits major ministry programs and activities at approximately five- to seven-year intervals. We do not audit organizations in the broader public sector and Crown-controlled corporations on the same cycle because there are so many of them and their activities are so numerous and diverse. However, since our mandate was expanded in 2004 to allow us to audit these auditees, our audits have covered a wide range of topics across a number of sectors, including health (hospitals, long-term-care homes, and mental-health service providers), education (school boards, universities, and colleges), and social services (children's aid societies and social service agencies), as well as Crown-controlled corporations.

In selecting what program, activity, or organization to audit each year, we consider how great the risk is that an auditee is not meeting the three value-for-money criteria and what the potential negative consequences might be for the public it serves. To help us choose higher-risk audits, we consider factors such as:

- the results of any previous audits and related follow-ups, as well as the length of time since the last audit;
- the impact of the program, activity, or organization on the public;
- the size, complexity, and diversity of the auditee's operations;
- recent significant changes in the auditee's operations; and
- the significance of the issues an audit might identify.

Another factor we take into account in the selection process is what work the auditee's internal auditors have completed. Depending on what that work consists of, we may defer an audit or change our audit's scope to avoid duplication of effort. In other cases, we do not diminish the scope of our audit but take the results of internal audit work into consideration in our own work.

Setting Audit Objectives, Audit Criteria, and Assurance Levels

When we begin an audit, we set an objective for what we want to achieve. We then develop suitable audit criteria that cover the key systems, policies, and procedures that should be in place and operating effectively. Developing criteria involves extensively researching sources such as recognized bodies of experts; other bodies or jurisdictions delivering similar programs and services; management's own policies and procedures; applicable criteria successfully applied in other audits or reviews; and applicable laws, regulations, and other authorities. To further ensure their suitability, the criteria we develop are discussed with the senior management responsible for the program or activity at the planning stage of the audit.

The next step is designing and conducting tests and procedures to address our audit objective and criteria, so that we can reach a conclusion regarding our audit objective and make observations and recommendations. Each audit report has a section entitled "Audit Objective and Scope," in which the audit objective and scope of our work are outlined.

Conducting tests and procedures to gather information has its limitations. We therefore cannot provide what is called an "absolute level of assurance" that our audit work identifies all significant matters. Other factors also contribute to this. For example, we may conclude that the auditee had a control system in place for a process or procedure that was working effectively to prevent a particular problem from occurring; but auditee management or staff may be able to circumvent such control systems—so we cannot guarantee that the problem will never arise. Also, unlike financial statement audits, much of the evidence available when conducting a value-for-money audit is more persuasive than it is conclusive, and we must rely on professional judgment in much of our work—for example, in interpreting information.

For all these reasons, the assurance that we plan for our work to provide is at an "audit level"—the highest reasonable level of assurance that we can obtain from the audit procedures that we design and evidence that we gather. Specifically, an audit level of assurance is obtained by interviewing management and analyzing the information it provides; examining and testing systems, procedures, and transactions; confirming facts with independent sources; and, where necessary because we are examining a more technical area, obtaining expert assistance and advice.

With respect to the information that management provides, under the Act we are entitled to have access to all relevant information and records necessary to the performance of our duties. Out of respect for the principle of Cabinet privilege, we do not seek access to the deliberations of Cabinet. However, the Office can access virtually all other information contained in Cabinet submissions or decisions that we deem necessary to fulfill our responsibilities under the Act.

Infrequently, the Office will perform a review rather than an audit. A review provides a moderate level of assurance, obtained primarily through inquiries and discussions with management; analyses of information management provides; and only limited examination and testing of systems, procedures, and transactions. We perform reviews when, for example, providing a higher level of assurance has prohibitive costs or is unnecessary, the *Auditor General Act* does not allow for a certain program or activity to be audited, or other factors relating to the nature of the program or activity make a review more appropriate than an audit. For instance, in the 2009 audit year, such a review was conducted of the unfunded liability of the Workplace Safety and Insurance Board.

Communicating with Management

To help ensure the factual accuracy of our observations and conclusions, staff from our Office communicate with the auditee's senior management throughout the value-for-money audit. Before beginning the work, our staff meet with management to discuss the objective and criteria and the focus of our work in general terms. During the audit, our staff meet with management to review progress and ensure open lines of communication. At the conclusion of on-site work, management is briefed on the preliminary results of the work. A draft report is then prepared and discussed with the auditee's senior management. The auditee's management provides written responses to our recommendations, and these are discussed and incorporated into the draft report. The Auditor General finalizes the draft report (on which the Chapter 3 section of the Annual Report will be based) with the deputy minister or head of the agency, corporation, or grant-recipient organization, after which the report is published in the Annual Report.

SPECIAL REPORTS

As required by the Act, the Office reports on its audits in an Annual Report to the Legislative Assembly. In addition, the Office may make a special report to the Legislative Assembly at any time, on any matter that, in the opinion of the Auditor General, should not be deferred until the Annual Report.

Two sections of the Act authorize the Auditor General to undertake additional special work. Under section 16, the Standing Committee on Public Accounts may resolve that the Auditor General must examine and report on any matter respecting the Public Accounts. Under section 17, the Legislative Assembly, the Standing Committee on Public Accounts, or a minister of the Crown may request that the Auditor General undertake a special assignment. However, these special assignments are not to take precedence over the Auditor General's other duties, and the Auditor General can decline such an assignment requested by a minister if he or she believes this would be the case.

In recent years, we have received a number of special requests under section 17. Our normal practice has been to obtain the requester's agreement that the special report will be tabled in the Legislature on completion and made public at that time.

On August 31, 2009, the Minister of Energy and Infrastructure requested the Auditor General to examine expenses incurred by employees of the Ontario Lottery and Gaming Corporation. The results of this audit were reported to the Minister and to the Legislature on June 1, 2010.

On October 21, 2009, the Standing Committee on Public Accounts requested that we conduct, at our discretion, spot audits on the use of consultants by the Ministry of Health and Long-Term Care, the 14 Local Health Integration Networks, and Ontario's hospitals. The results of that work were reported in October 2010.

ATTEST AUDITS

Attest audits are examinations of an auditee's financial statements. In such audits, the auditor expresses an opinion on whether the financial statements present information on the auditee's operations and financial position in a way that is fair and that complies with certain accounting policies (in most cases, with Canadian generally accepted accounting principles).

The Auditees

Every year, we audit the financial statements of the province and the accounts of many agencies of the Crown. Specifically, the Act [in subsections 9(1), (2), and (3)] requires that:

- the Auditor General audit the accounts and records of the receipt and disbursement of public money forming part of the province's Consolidated Revenue Fund, whether held in trust or otherwise;
- the Auditor General audit the financial statements of those agencies of the Crown that are not audited by another auditor;
- public accounting firms that are appointed auditors of certain agencies of the Crown perform their audits under the direction of the

Auditor General and report their results to the Auditor General; and

- public accounting firms auditing Crown-controlled corporations deliver to the Auditor General a copy of the audited financial statements of the corporation and a copy of the accounting firm's report of its findings and recommendations to management (typically contained in a management letter).

Chapter 2 discusses this year's attest audit of the province's consolidated financial statements. Any matters of significance relating to our attest audits of agencies and Crown-controlled corporations are also discussed in Chapter 2. As well, agency legislation normally stipulates that the Auditor General's reporting responsibilities are to the agency's board and the minister(s) responsible for the agency. Our Office also provides a copy of the audit opinion relating to the agency's financial statements to the deputy minister of the associated ministry.

Where an agency attest audit notes areas where management must make improvements, the auditor prepares a draft findings report and discusses it with senior management. The report is revised to reflect the results of that discussion. After the draft report is cleared and the agency's senior management responds to it in writing, the auditor prepares a final report, which is discussed with the agency's audit committee if one exists. If a matter were so significant that we felt it should be brought to the attention of the Legislature, we would include it in our Annual Report.

Exhibit 1, Part 1 lists the agencies that were audited during the 2009/10 audit year. The Office currently contracts with public accounting firms to audit a number of these agencies on the Office's behalf. Exhibit 1, Part 2, and Exhibit 2 list the agencies of the Crown and the Crown-controlled corporations, respectively, that public accounting firms were appointed by the entity to audit during the 2009/10 audit year.

OTHER STIPULATIONS OF THE *AUDITOR GENERAL ACT*

The *Auditor General Act* came about with the passage, on November 22, 2004, of Bill 18, the *Audit Statute Law Amendment Act*, which received Royal Assent on November 30, 2004. The purpose of Bill 18 was to make certain amendments to the *Audit Act* to enhance the ability of the Office to serve the Legislative Assembly. The most significant amendment contained in Bill 18 was the expansion of the Office's value-for-money audit mandate to organizations in the broader public sector that receive government grants. This *2010 Annual Report* marks the fifth year of our expanded audit mandate.

Appointment of Auditor General

Under the Act, the Auditor General is appointed as an officer of the Legislative Assembly by the Lieutenant Governor in Council—that is, the Lieutenant Governor appoints the Auditor General on and with the advice of the Executive Council (the Cabinet). The appointment is made "on the address of the Assembly," meaning that the appointee must be approved by the Legislative Assembly. The Act also requires that the Chair of the Standing Committee on Public Accounts—who, under the Standing Orders of the Legislative Assembly, is a member of the official opposition—be consulted before the appointment is made (for more information on the Committee, see Chapter 6).

Independence

The Auditor General and staff of the Office are independent of the government and its administration. This independence is an essential safeguard that enables the Office to fulfill its auditing and reporting responsibilities objectively and fairly.

The Auditor General is appointed to a 10-year, non-renewable term, and can be dismissed only for cause by the Legislative Assembly. Consequently, the Auditor General maintains an arm's-length distance from the government and the political parties in the Legislative Assembly and is thus free to fulfill the Office's legislated mandate without political pressure.

The Board of Internal Economy—an all-party legislative committee that is independent of the government's administrative process—reviews and approves the Office's budget, which is subsequently laid before the Legislative Assembly. As required by the Act, the Office's expenditures relating to the 2009/10 fiscal year have been audited by a firm of chartered accountants, and the audited financial statements of the Office are submitted to the Board and subsequently must be tabled in the Legislative Assembly. The audited statements and related discussion of expenditures for the year are presented at the end of this chapter.

CONFIDENTIALITY OF WORKING PAPERS

In the course of our reporting activities, we prepare draft audit reports and findings reports that are considered to be an integral part of our audit working papers. It should be noted that these working papers, according to section 19 of the *Auditor General Act*, do not have to be laid before the Legislative Assembly or any of its committees. As well, because our Office is exempt from the *Freedom of Information and Protection of Privacy Act*, our draft reports and audit working papers, which include all information obtained during the course of an audit from the auditee, cannot be accessed from our Office, thus further ensuring confidentiality.

CODE OF PROFESSIONAL CONDUCT

The Office has a Code of Professional Conduct to encourage staff to maintain high professional standards and ensure a professional work environment. The Code is intended to be a general statement of philosophy, principles, and rules regarding conduct for employees of the Office, who have a duty to conduct themselves in a professional manner and to strive to achieve the highest standards of behaviour, competence, and integrity in their work.

The Code explains why these expectations exist and further describes the Office's responsibilities to the Legislative Assembly, the public, and our auditees. The Code also provides guidance on disclosure requirements and the steps to be taken to avoid conflict-of-interest situations. All employees are required to complete an annual conflict-of-interest declaration.

Office Organization and Personnel

The Office is organized into portfolio teams—a framework that attempts to align related audit entities and to foster expertise in the various areas of audit activity. The portfolios, which are loosely based on the government's own ministry organization, are each headed by a Director, who oversees and is responsible for the audits within the assigned portfolio. Assisting the Directors and rounding out the teams are a number of audit Managers and various other audit staff (see Figure 1).

The Auditor General, the Deputy Auditor General, the Directors, and the Manager of Human Resources make up the Office's Senior Management Committee.

Canadian Council of Legislative Auditors

This year, Quebec hosted the 38th annual meeting of the Canadian Council of Legislative Auditors (CCOLA) in Quebec City, from August 29 to 31, 2010. This annual gathering has, for a number of years, been held jointly with the annual conference of the Canadian Council of Public Accounts Committees. It brings together legislative auditors and

Figure 1: Office Organization, September 30, 2010

Auditor General

Jim McCarter

Deputy Auditor General

Gary Peall

Human Resources

Annemarie Wiebe, Manager
Shayna Whiteford

Professional Practices

Paul Amodeo, Director

Audit Software Project

Kristin Snowden, Project Lead
Shariq Saeed

Operations

Administration
- Shanta Persaud
- Maureen Bissonnette
- Sohani Myers
- Christine Wu

Communications and Government Advertising Review
- Andréa Vanasse, Manager
- Mariana Green
- Shirley McGibbon
- Tiina Randoja
- Joël Ruimy
- Lucy Trew

Information Technology
- Peter Lee
- Shams Ali

Audit Porfolios and Staff

Community and Social Services, and Revenue

Walter Bordne, Director
Wendy Cumbo, Manager
Nick Stavropoulos, Manager
Johan Boer
Stephanie Chen
Constantino De Sousa
Katrina Exaltacion
Inna Guelfand
Li-Lian Koh
Michael Okulicz
Shreya Shah

Crown Agencies (1)

John McDowell, Director
Walter Allan, Manager
Tom Chatzidimos
Kandy Fletcher
Mary Romano
Megan Sim

Crown Agencies (2)

Laura Bell, Director
Teresa Carello, Manager
Margaret Chen
Roger Munroe
Priyanka Parekh
Cynthia Tso

Education and Training

Gerard Fitzmaurice, Director
Tony Tersigni, Manager
Emanuel Tsikritsis, Manager
Tino Bove
Maggie Dong
Zahra Jaffer
Rumi Janmohamed
Mythili Kandasamy
Joane Mui
Mark Smith
Ellen Tepelenas
Dora Ulisse
Joyce Yip

Health and Health Promotion

Rudolph Chiu, Director
Gigi Yip, Manager
Denise Young, Manager
Ariane Chan
Frederick Chan
Anita Cheung
Helen Chow
Oscar Rodriguez
Pasha Sidhu
Alla Volodina
Lisa Li

Health and Long-term-care Providers

Susan Klein, Director
Vanna Gotsis, Manager
Naomi Herberg, Manager
Kevin Aro
Matthew Brikis
Sally Chang
Jennifer Fung
Ingrid Goh
Justin Hansis
Veronica Ho
Linde Qiu

Justice and Regulatory

Vince Mazzone, Director
Rick MacNeil, Manager
Fraser Rogers, Manager
Vivian Sin, Manager
Howard Davy
Rashmeet Gill
David McIver
Alfred Kiang
Wendy Ng
Alice Nowak
Ruchir Patel
Gloria Tsang
Brian Wanchuk
Celia Yeung

Public Accounts, Finance, Environment, and Natural Resources

Gus Chagani, Director
Sandy Chan, Manager
Bill Pelow, Manager
Allen Fung
Tanmay Gupta
Mark Hancock
Aldora Harrison
Zhenya Stekovic
Georgeiana Tanudjaja
Janet Wan
Jing Wang

Transportation, Infrastructure, and Municipal Affairs

Andrew Cheung, Director
Kim Cho, Manager
Bartosz Amerski
Izabela Beben
Marcia DeSouza
Alexander Truong

members of the Standing Committees on Public Accounts from the federal government and the provinces and territories, and provides a useful forum for sharing ideas and exchanging information.

International Visitors

As an acknowledged leader in value-for-money auditing, the Office periodically receives requests to meet with visitors and delegations from abroad to discuss the roles and responsibilities of the Office and to share our value-for-money and other audit experiences with them. During the audit year covered by this report, the Office met with legislators/public servants/auditors from Barbados, Belize, China (national and provincial), Germany, Ghana, Kenya, Ireland, and Nigeria. We also were privileged to host a senior member of the Auditor General's office from the state of Baden-Württemberg, Germany, for a three-month secondment as part of a leadership training program for that office.

Results Produced by the Office This Year

The 2009/10 fiscal year was another successful year for the Office.

In total, we conducted 13 value-for-money and special audits this year. These audits examined a wide range of services of importance to Ontarians, with a strong focus (10 audits) on the broader public sector, particularly the health-care sector (five audits). Our broader-public-sector work included three audits involving hospitals: hospital emergency departments, hospital discharge planning, and a special audit that included visits to 16 hospitals regarding their use of consultants. Other health-care-related work involved organ and tissue donation and transplantation, including the Trillium Gift of Life Network, and home-care services arranged by Community Care Access Centres. We also performed two audits in the education sector, including school safety initiatives at selected school boards and the Ministry of Education and college infrastructure asset management at selected colleges and the Ministry of Training, Colleges and Universities.

Three of the value-for-money audits we carried out this year examined programs that have had a significant impact on municipalities. These audits included infrastructure stimulus spending, the management of non-hazardous waste, and our first audit of the Municipal Property Assessment Corporation.

Our other value-for-money audits included a first look at the oversight of casino gaming by the Alcohol and Gaming Commission of Ontario, as well as one that we have reported on more than once in the past: the Family Responsibility Office.

As mentioned in the earlier Special Reports section, we issued two special reports this year: OLG's Employee Expense Practices, issued in June 2010, and Consultant Use in Selected Health Organizations, issued in October 2010. The first was requested by the Minister of Finance and the second by the Standing Committee on Public Accounts.

As mentioned in the earlier Attest Audits section, we are responsible for auditing the province's consolidated financial statements (further discussed in Chapter 2), as well as the statements of more than 40 Crown agencies. We again met all of our key financial-statement audit deadlines while continuing our investment in training to successfully implement ongoing revisions to accounting and assurance standards and methodology for conducting our financial-statement audits.

We successfully met our review responsibilities under the *Government Advertising Act, 2004*, as further discussed in Chapter 5.

The results produced by the Office this year would clearly not have been possible without the hard work and dedication of our staff. As has been the case in recent years, with a number of senior staff retiring or on leave, contract staff were important to us again this year, and they filled in admirably.

Financial Accountability

The following discussion and our financial statements outline the Office's financial results for the 2009/10 fiscal year.

Figure 2 provides a comparison of our approved budget and expenditures over the last five years. Figure 3 presents the major components of our spending and shows that 73% (71% in 2008/09) related to salary and benefit costs for our staff, while professional and other services and rent constituted most of the remainder. Although these proportions have been relatively stable in recent years, this year there was a shift from contracted professional services, which declined by 2%, to salaries and benefits. Fewer parental leaves meant less reliance on contract help to manage peak workload periods. Also, one contract position was converted to full-time employment.

Overall, our expenses increased 2.2% (3.8% in 2008/09) and were again significantly under budget. Over the five-year period presented in Figure 2, we have returned unspent appropriations totalling $8 million. The main reason for this is that we have historically faced challenges in hiring and retaining qualified professional staff in the competitive Toronto job market—our public-service salary ranges have simply not kept pace with compensation increases for such professionals in the private sector. A more detailed discussion of the changes in our expenses and some of the challenges we are facing follows.

SALARIES AND BENEFITS

Our salary and benefit costs rose 5.7% this year. As noted above, fewer parental leaves and conversion of a contract position to full-time staff shifted some contracted professional expenditures to salaries and benefits. As well, we employed fewer student trainees this year than the previous year, because many of our trainees earned their professional accounting designation during the year and remained with us. To be competitive, we must pay our newly qualified staff considerably more than they were paid as trainees. Salary and performance pay increases (in line with those approved for Ontario public servants), together with benefit cost increases (such as higher pension and health

Figure 2: Five-year Comparison of Spending (Accrual Basis) ($ 000)

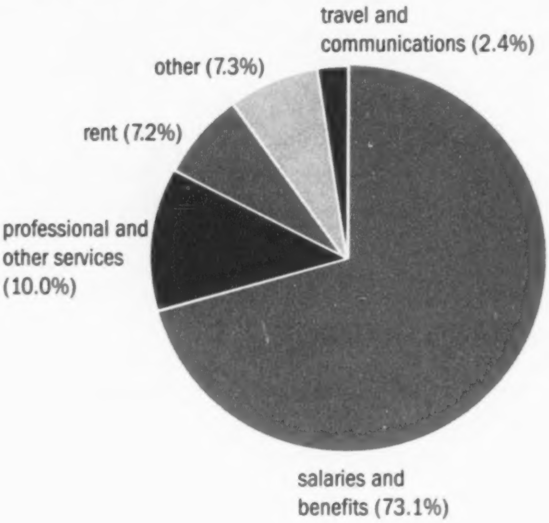
Prepared by the Office of the Auditor General of Ontario

	2005/06	2006/07	2007/08	2008/09	2009/10
Approved budget	**12,552**	**13,992**	**15,308**	**16,245**	**16,224**
Actual expenses					
salaries and benefits	8,047	8,760	9,999	10,279	10,862
professional and other services	951	1,264	1,525	1,776	1,489
rent	962	985	1,048	1,051	1,069
travel and communications	324	363	397	332	360
other	756	930	1,033	1,096	1,073
Total	**11,040**	**12,302**	**14,002**	**14,534**	**14,853**
Returned to province*	**1,609**	**1,730**	**1,608**	**1,561**	**1,498**

* These amounts are typically slightly different than the excess of appropriation over expenses as a result of non-cash expenses (such as amortization of capital assets and employee future benefit accruals).

Figure 3: Spending by Major Expenditure Category, 2009/10

Prepared by the Office of the Auditor General of Ontario



benefit contribution rates, as well as an increase in the liability for employee future benefits), account for the remaining increase in salaries and benefits over the previous year.

Following a gradual increase in approved complement from 95 in 2004/05 to 117 now (see Figure 4), we were able to gradually increase the average number of staff we employ to about 110 over the last three years. Although competing with the higher salaries for professional accountants offered by the private sector affects our hiring, we were also cognizant of the current economic environment and remained somewhat cautious about staffing up when staff departed, delaying the replacement of retiring senior staff and hiring experienced but more junior staff as opportunities arose. On the other hand, we do recognize that the growing complexity of our value-for-money audits, especially in the broader public sector, demands that we use highly qualified, experienced staff as much as possible.

Under the Act, our salary levels must be comparable to the salary ranges of similar positions in the government. These ranges remain uncompetitive with the salaries that both the not-for-profit and the private sectors offer. According to the most recent survey by the Canadian Institute of Chartered Accountants published in 2009, average salaries for CAs in government ($117,700) were 15% lower than those in the not-for-profit sector ($138,400) and, most importantly, 27% lower than those working for professional service CA firms ($160,600), which are our primary competitors for professional accountants. This gap had narrowed only slightly since the previous survey in 2007.

The salaries of our highest-paid staff in the 2009 calendar year are disclosed in Note 6 to our financial statements.

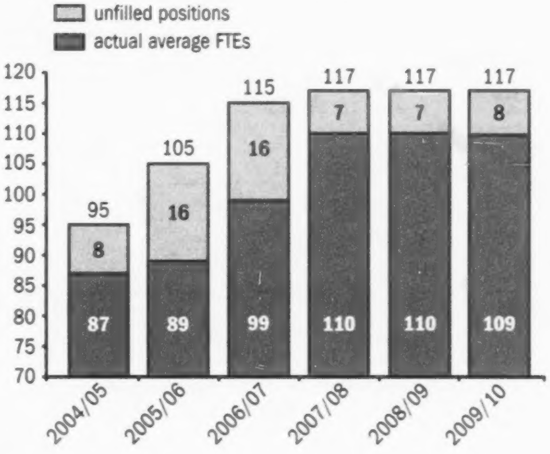
PROFESSIONAL AND OTHER SERVICES

These services represent our next most significant area of expenditure, at about 10% of total expenditures. As mentioned above, these expenditures declined 2% from the previous year after several years of significant increases. These services include both contract professionals and contract CA firms.

We continue to have to rely heavily on contract professionals to meet our legislated responsibilities given more complex work and tighter deadlines for finalizing the financial-statement audits of Crown agencies and the province. We also believe that using more contract staff to fill temporary needs is

Figure 4: Staffing, 2004/05–2009/10

Prepared by the Office of the Auditor General of Ontario



a cost-effective approach to staffing, particularly during uncertain economic times, in that it provides more flexibility and less disruption if significant in-year cuts to our budget are requested. Also, even during the economic downturn, it has remained difficult for us to reach our approved full complement given our uncompetitive salary levels, particularly for professionals with several years of post qualifying experience.

We continue to incur higher contract costs for CA firms we work with because of the higher salaries they pay their staff and the additional hours required to implement ongoing changes to accounting and assurance standards. However, these costs have stabilized somewhat with the economic downturn after several years of increases.

RENT

Our costs for accommodation were slightly higher than last year, increasing 1.7% (owing primarily to rising building operating costs, particularly utilities). Accommodation costs remain about the same percentage of total spending.

TRAVEL AND COMMUNICATIONS

With considerably more value-for-money audit work in broader-public-sector organizations, particularly hospitals, than last year, our travel costs jumped by over 8% this year. In fact, the majority of our value-for-money and special audits this year were in the broader public sector and involved visits to 24 hospitals, Community Care Access Centres, school boards, schools, colleges, and municipalities, as well as OLG's head office in Sault Ste. Marie. In general, we are incurring significantly more travel costs than in the past because of the expansion of our mandate to audit broader-public-sector organizations. Last year, our audits focused more on ministry oversight of service providers and less on the providers themselves. As a result, our teams made shorter visits to community service providers that year.

OTHER

Other costs include asset amortization, supplies, equipment maintenance, training, and statutory expenses. Such costs declined by $23,000, or by 2%, over last year. An increase of $42,000 that was associated with the additional contract services required to conduct the special audit on the use of consultants in the health sector, given its large scope, and an increase of $24,000 that was related to higher equipment amortization owing to prior investments in computer and leasehold improvements were more than offset by reductions in expenditures on training ($50,000), on supplies and equipment ($30,000), and on expert advisory services needed to meet our responsibilities under the *Government Advertising Act, 2004* ($8,000).

Our major investments over the previous two years in training staff to implement new standards did not have to be repeated this year, although some additional costs will be incurred again next year to implement the new Canadian Auditing Standards that become effective in December 2010. These expenditures on training are needed to ensure that our staff are able to adhere to the many recent changes in standards and to increase their level of subject expertise to handle complex value-for-money audits.

Because the salaries of the most senior managers in government were frozen during the current year, the statutory salary for the Auditor General was about the same as the previous year.

FINANCIAL STATEMENTS

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The accompanying financial statements of the Office of the Auditor General for the year ended March 31, 2010 are the responsibility of management of the Office. Management has prepared the financial statements to comply with the *Auditor General Act* and with Canadian generally accepted accounting principles.

To ensure the integrity and objectivity of the financial data, management maintains a system of internal controls that provide reasonable assurance that transactions are appropriately authorized, assets are adequately safeguarded, appropriations are not exceeded and financial information is reliable and accurate.

The financial statements have been audited by the firm of Adams & Miles LLP, Chartered Accountants. Their report to the Board of Internal Economy, stating the scope of their examination and opinion on the financial statements, appears on the following page.

Jim McCarter, FCA
Auditor General

Gary R. Peall, CA
Deputy Auditor General

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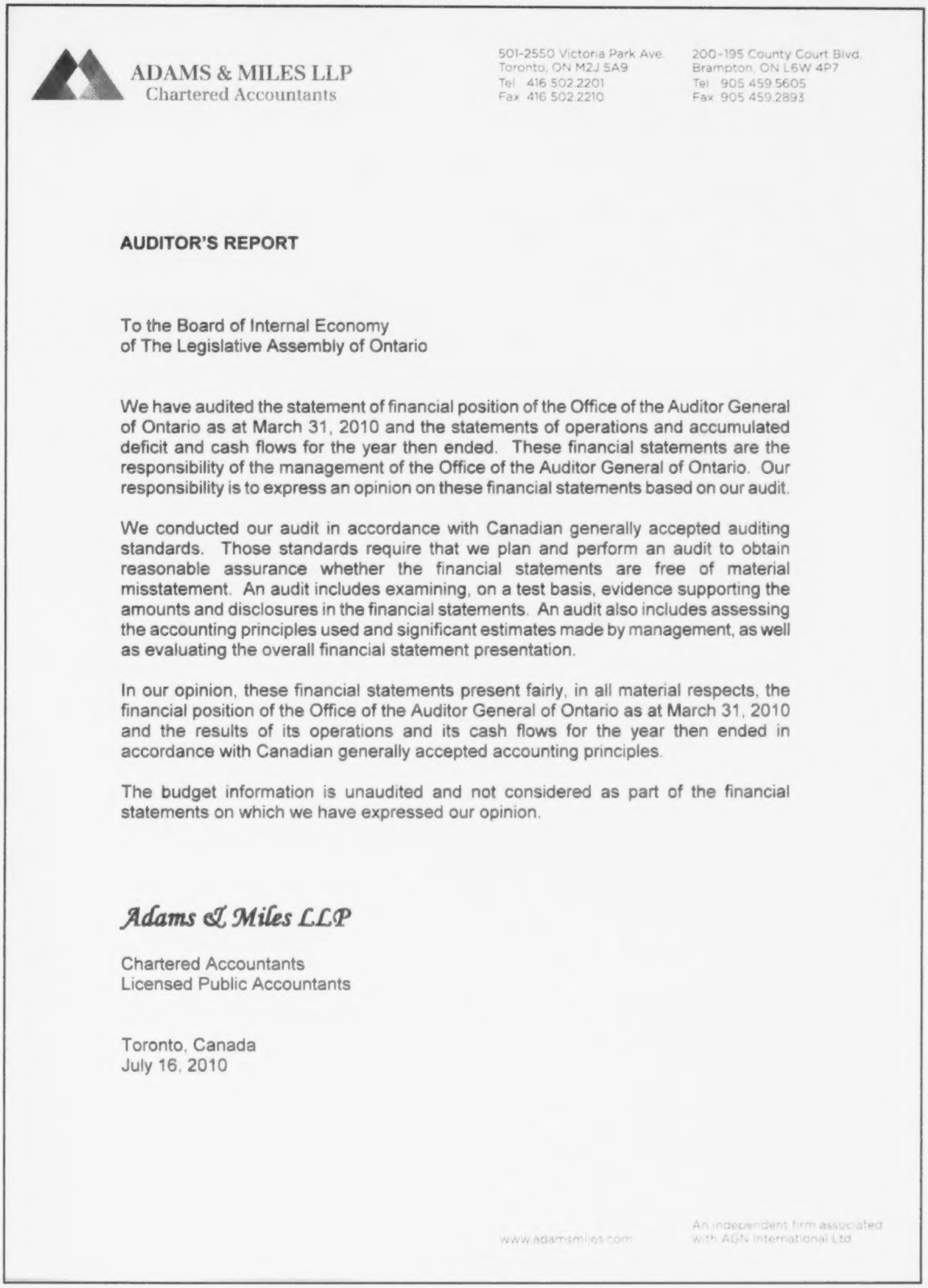

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AUDITOR'S REPORT

To the Board of Internal Economy
of The Legislative Assembly of Ontario

We have audited the statement of financial position of the Office of the Auditor General of Ontario as at March 31, 2010 and the statements of operations and accumulated deficit and cash flows for the year then ended. These financial statements are the responsibility of the management of the Office of the Auditor General of Ontario. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the Auditor General of Ontario as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The budget information is unaudited and not considered as part of the financial statements on which we have expressed our opinion.

Adams & Miles LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Canada
July 16, 2010

www.adamsmiles.com

An independent firm associated
with AGN International Ltd

Office of the Auditor General of Ontario

Statement of Financial Position
As at March 31, 2010

	2010 $	2009 $
Assets		
Current		
Cash	370,802	293,306
Due from Consolidated Revenue Fund	754,098	663,149
	1,124,900	956,455
Capital Assets (Note 3)	540,543	581,060
Total assets	1,665,443	1,537,515
Liabilities		
Accounts payables and accrued liabilities	1,920,900	1,590,455
Accrued employee benefits obligation [Note 4(B)]	1,922,000	1,997,000
	3,842,900	3,587,455
Net accumulated deficit		
Investment in capital assets (Note 3)	540,543	581,060
Accumulated deficit related to employee future benefits [Note 2(B)]	(2,718,000)	(2,631,000)
	(2,177,457)	(2,049,940)
Total liabilities and net accumulated deficit	1,665,443	1,537,515

Commitments (Note 5)

See accompanying notes to financial statements.

Approved by the Office of the Auditor General of Ontario:

Jim McCarter
Auditor General

Peall

Gary Peall
Deputy Auditor General

Office of the Auditor General of Ontario

Statement of Operations and Accumulated Deficit

For the Year Ended March 31, 2010

	2010 Budget $	2010 Actual $	2009 Actual $
Expenses			
Salaries and wages	9,755,400	8,870,759	8,434,594
Employee benefits (Note 4)	2,041,200	1,990,880	1,844,038
Office rent	1,062,400	1,068,789	1,051,024
Professional and other services	1,729,500	1,489,375	1,775,885
Amortization of capital assets	–	323,386	298,550
Travel and communication	418,800	359,934	332,043
Training and development	386,600	154,525	205,077
Supplies and equipment	377,500	143,734	173,326
Transfer payment: CCAF-FCVI Inc.	50,000	50,000	50,000
Statutory expenses: *Auditor General Act*	222,700	243,831	245,438
Government Advertising Act	30,000	27,224	35,209
Statutory services	150,000	130,754	88,850
Total expenses (Note 7)	16,224,100	14,853,191	14,534,034
Revenue			
Consolidated Revenue Fund - Voted appropriation (Note 2B)	16,224,100	16,224,100	16,244,700
Excess of appropriation over expenses		1,370,909	1,710,666
Less: returned to the Province (Note 2B)		(1,498,426)	(1,560,877)
Net operations deficiency (excess)		127,517	(149,789)
Accumulated deficit, beginning of year		2,049,940	2,199,729
Accumulated deficit, end of year		2,177,457	2,049,940

See accompanying notes to financial statements.

Office of the Auditor General of Ontario

Statement of Cash Flows
For the Year Ended March 31, 2010

	2010 $	2009 $
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES		
Cash flows from operating activities		
Net operations (deficiency) excess	(127,517)	149,789
Amortization of capital assets	323,386	298,550
Accrued employee benefits obligation	(75,000)	(17,000)
	120,869	431,339
Changes in non-cash working capital		
Increase in due from Consolidated Revenue Fund	(90,949)	(289,005)
Increase (decrease) in accounts payable and accrued liabilities	330,445	(89,557)
	239,496	(378,562)
Investing activities		
Purchase of capital assets	(282,869)	(281,339)
Net increase (decrease) in cash position	77,496	(228,562)
Cash position, beginning of year	293,306	521,868
Cash position, end of year	370,802	293,306

See accompanying notes to financial statements.

Office of the Auditor General of Ontario

Notes to Financial Statements
March 31, 2010

1. Nature of Operations

In accordance with the provisions of the *Auditor General Act* and various other statutes and authorities, the Auditor General conducts independent audits of government programs, of institutions in the broader public sector that receive government grants, and of the fairness of the financial statements of the Province and numerous agencies of the Crown. In doing so, the Office of the Auditor General promotes accountability and value-for-money in government operations and in broader public sector organizations.

Additionally, under the *Government Advertising Act, 2004*, the Auditor General is required to review specified types of advertising, printed matter or reviewable messages proposed by government offices to determine whether they meet the standards required by the Act.

Under both Acts, the Auditor General reports directly to the Legislative Assembly.

As required by the *Fiscal Transparency and Accountability Act, 2004*, the Auditor General will also be required to review and report on the reasonableness of the 2011 Pre-Election Report prepared by the Ministry of Finance.

2. Significant Accounting Policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are as follows:

(A) ACCRUAL BASIS

These financial statements are accounted for on an accrual basis whereby expenses are recognized in the fiscal year that the events giving rise to the expense occur and resources are consumed.

(B) VOTED APPROPRIATIONS

The Office is funded through annual voted appropriations from the Province of Ontario. Unspent appropriations are returned to the Province's Consolidated Revenue Fund each year. As the voted appropriation is on a modified cash basis, an excess or deficiency of revenue over expenses arises from the application of accrual accounting, including the capitalization and amortization of capital assets and the recognition of employee benefit costs earned to date but that will be funded from future appropriations.

(C) CAPITAL ASSETS

Capital assets are recorded at historical cost less accumulated amortization. Amortization of capital assets is recorded on the straight-line method over the estimated useful lives of the assets as follows:

Computer hardware	3 years
Computer software	3 years
Furniture and fixtures	5 years
Leasehold improvements	The remaining term of the lease

Office of the Auditor General of Ontario

Notes to Financial Statements
March 31, 2010

2. Significant Accounting Policies (Continued)

(D) FINANCIAL INSTRUMENTS

The Office's financial instruments consist of cash, due from Consolidated Revenue Fund, accounts payable and accrued liabilities, and accrued employee benefits obligation. Under Canadian generally accepted accounting principles, financial instruments are classified into one of five categories – available-for-sale, held-for-trading, held-to-maturity, loans and receivables, or other financial liabilities. The Office classifies its financial assets and liabilities as follows:

- Cash is classified as held for trading and is recorded at fair value.
- Due from Consolidated Revenue Fund is classified as loans and receivables and is valued at cost which approximates fair value given its short term nature.
- Accounts payable and accrued liabilities are classified as other financial liabilities and are recorded at cost which approximate fair value given their short term maturities.
- The accrued employee benefits obligation is classified as another financial liability and is recorded at cost based on the entitlements earned by employees up to March 31, 2010. A fair value estimate based on actuarial assumptions about when these benefits will actually be paid has not been made as it is not expected that there would be a significant difference from the recorded amount.

It is management's opinion that the Office is not exposed to any interest rate, currency, liquidity or credit risk arising from its financial instruments due to their nature.

(E) USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Office of the Auditor General of Ontario

Notes to Financial Statements
March 31, 2010

3. Capital Assets

	2010			2009
	Cost $	Accumulated Amortization $	Net Book Value $	Net Book Value $
Computer hardware	585,915	337,310	248,605	237,736
Computer software	230,634	140,165	90,469	76,388
Furniture and fixtures	364,666	237,499	127,167	143,099
Leasehold improvements	235,868	161,566	74,302	123,837
	1,417,083	876,540	540,543	581,060

Investment in capital assets represents the accumulated cost of capital assets less accumulated amortization and disposals.

4. Obligation for Future Employee Benefits

Although the Office's employees are not members of the Ontario Public Service, under provisions in the *Auditor General Act*, the Office's employees are entitled to the same benefits as Ontario Public Service employees. The future liability for benefits earned by the Office's employees is included in the estimated liability for all provincial employees that have earned these benefits and is recognized in the Province's consolidated financial statements. These benefits are accounted for as follows:

(A) PENSION BENEFITS

The Office's employees participate in the Public Service Pension Fund (PSPF) which is a defined benefit pension plan for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the Office's annual payments to the fund. As the sponsor is responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Office. The Office's required annual payments of $711,251 (2009 – $609,166), are included in employee benefits expense in the Statement of Operations and Accumulated Deficit.

Office of the Auditor General of Ontario

Notes to Financial Statements
March 31, 2010

4. Obligation for Future Employee Benefits (Continued)

(B) ACCRUED EMPLOYEE BENEFITS OBLIGATION

Although the costs of any legislated severance and unused vacation entitlements earned by employees are recognized by the Province when earned by eligible employees, these costs are also recognized in these financial statements. These costs for the year amounted to $229,000 (2009 – $108,000) and are included in employee benefits in the Statement of Operations and Accumulated Deficit. The total liability for these costs is reflected in the accrued employee benefits obligation, less any amounts payable within one year, which are included in accounts payable and accrued liabilities, as follows:

	2010 $	2009 $
Total liability for severance and vacation	2,718,000	2,631,000
Less: Due within one year and included in accounts payable and accrued liabilities	(796,000)	(634,000)
Accrued employee benefits obligation	1,922,000	1,997,000

(C) OTHER NON-PENSION POST-EMPLOYMENT BENEFITS

The cost of other non-pension post-retirement benefits is determined and funded on an ongoing basis by the Ontario Ministry of Government Services and accordingly is not included in these financial statements.

5. Commitments

The Office has an operating lease to rent premises for an 11-year period, which commenced November 1, 2000. The minimum rental commitment for the remaining term of the lease is as follows:

	$
2010-11	525,369
2011-12	306,465

The Office also has less significant lease commitments related to office equipment.

Office of the Auditor General of Ontario

Notes to Financial Statements

March 31, 2010

6. Public Sector Salary Disclosure Act, 1996

Section 3(5) of this Act requires disclosure of Ontario public-sector employees paid an annual salary in excess of $100,000 in calendar year 2009.

Name	Position	Salary $	Taxable Benefits $
McCarter, Jim	Auditor General	216,158	19,397
Peall, Gary	Deputy Auditor General	181,643	285
Amodeo, Paul	Director	140,615	223
Chagani, Gus	Director	115,764	183
Cheung, Andrew	Director	140,615	223
Chiu, Rudolph	Director	133,110	215
Fitzmaurice, Gerard	Director	140,615	223
Klein, Susan	Director	140,615	223
Mazzone, Vince	Director	136,223	218
McDowell, John	Director	140,615	223
Sciarra, John	Director of Operations	132,337	215
Allan, Walter	Audit Manager	110,463	178
Brennan, Michael	Audit Manager	113,386	180
Cumbo, Wendy	Audit Manager	113,386	180
Gotsis, Vanna	Audit Manager	113,386	180
MacNeil, Richard	Audit Manager	113,386	180
Pelow, William	Audit Manager	113,386	180
Rogers, Fraser	Audit Manager	105,440	180
Tersigni, Anthony	Audit Manager	113,386	180
Young, Denise	Audit Manager	113,386	180
Boer, Johannes	Audit Supervisor	103,201	170
Davy, Howard	Audit Supervisor	103,201	170
Wiebe, Annemarie	Manager, Human Resources	113,386	180

Office of the Auditor General of Ontario

Notes to Financial Statements
March 31, 2010

7. Reconciliation to Public Accounts Volume 1 Basis of Presentation

The Office's Statement of Expenses presented in Volume 1 of the Public Accounts of Ontario was prepared on a basis consistent with the accounting policies followed for the Province's financial statements, under which purchases of computers and software are expensed in the year of acquisition rather than being capitalized and amortized over their useful lives. Volume 1 also excludes the accrued employee future benefit costs recognized in these financial statements as well as in the Province's summary financial statements. A reconciliation of total expenses reported in Volume 1 to the total expenses reported in these financial statements is as follows:

	2010 $	2009 $
Total expenses per Public Accounts Volume 1	14,725,674	14,683,823
purchase of capital assets	(282,869)	(281,339)
amortization of capital assets	323,386	298,550
change in accrued future employee benefit costs	87,000	(167,000)
	127,517	(149,789)
Total expenses per audited financial statements	14,853,191	14,534,034

8. Management of Capital

The Office's capital consists of cash on hand. In managing cash on hand the Office maintains sufficient funds to meet estimated cash requirements each month and requisitions the necessary amount from the Ministry of Finance on a monthly basis. The Office's bank account is pooled with other government accounts for cash management purposes in order to reduce the province's borrowing requirements and to earn interest at rates negotiated by the Ministry of Finance. Accordingly, the Office's capital is not at risk.

Exhibit 1

Agencies of the Crown

1. Agencies whose accounts are audited by the Auditor General

Agricorp
Algonquin Forestry Authority
Cancer Care Ontario
Centennial Centre of Science and Technology
Chief Electoral Officer, *Election Finances Act*
Election Fees and Expenses, *Election Act*
Financial Services Commission of Ontario
Grain Financial Protection Board, Funds for Producers of Grain Corn, Soybeans, Wheat, and Canola
Investor Education Fund, Ontario Securities Commission
Legal Aid Ontario
Liquor Control Board of Ontario
Livestock Financial Protection Board, Fund for Livestock Producers
Northern Ontario Heritage Fund Corporation
North Pickering Development Corporation
Office of the Assembly
Office of the Children's Lawyer
Office of the Environmental Commissioner
Office of the Information and Privacy Commissioner
Office of the Ombudsman
Ontario Clean Water Agency (December 31)*
Ontario Development Corporation
Ontario Educational Communications Authority
Ontario Electricity Financial Corporation
Ontario Energy Board
Ontario Financing Authority
Ontario Food Terminal Board
Ontario Heritage Trust
Ontario Immigrant Investor Corporation
Ontario Media Development Corporation
Ontario Mortgage and Housing Corporation
Ontario Northland Transportation Commission
Ontario Place Corporation (December 31)*
Ontario Racing Commission
Ontario Realty Corporation
Ontario Securities Commission
Pension Benefits Guarantee Fund, Financial Services Commission of Ontario
Province of Ontario Council for the Arts
Provincial Advocate for Children and Youth
Provincial Judges Pension Fund, Provincial Judges Pension Board
Public Guardian and Trustee for the Province of Ontario
Toronto Area Transit Operating Authority

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* Dates in parentheses indicate fiscal periods ending on a date other than March 31.

2. Agencies whose accounts are audited by another auditor under the direction of the Auditor General

Motor Vehicle Accident Claims Fund
Niagara Parks Commission (October 31)*
Ontario Mental Health Foundation
St. Lawrence Parks Commission
Workplace Safety and Insurance Board (December 31)*

---

* Dates in parentheses indicate fiscal periods ending on a date other than March 31.

Note:

The following changes were made during the 2009/10 fiscal year:

Deletion:

Owen Sound Transportation Company Limited

Exhibit 2

Crown-controlled Corporations

Corporations whose accounts are audited by an auditor other than the Auditor General, with full access by the Auditor General to audit reports, working papers, and other related documents

Agricultural Research Institute of Ontario
Art Gallery of Ontario Crown Foundation
Board of Funeral Services
Brock University Foundation
Canadian Opera Company Crown Foundation
Canadian Stage Company Crown Foundation
Central Community Care Access Centre
Central East Community Care Access Centre
Central East Local Health Integration Network
Central Local Health Integration Network
Central West Community Care Access Centre
Central West Local Health Integration Network
Champlain Community Care Access Centre
Champlain Local Health Integration Network
Deposit Insurance Corporation of Ontario (December 31)*
Echo: Improving Women's Health in Ontario
Education Quality and Accountability Office
eHealth Ontario
Erie St. Clair Community Care Access Centre
Erie St. Clair Local Health Integration Network
Foundation at Queen's University at Kingston
Hamilton Niagara Haldimand Brant Community Care Access Centre
Hamilton Niagara Haldimand Brant Local Health Integration Network
HealthForceOntario Marketing and Recruitment Agency
Higher Education Quality Council of Ontario
Human Rights Legal Support Centre
Hydro One Inc. (December 31)*
Independent Electricity System Operator (December 31)*
McMaster University Foundation
McMichael Canadian Art Collection
Metrolinx
Metropolitan Toronto Convention Centre Corporation
Mississauga Halton Community Care Access Centre
Mississauga Halton Local Health Integration Network
Municipal Property Assessment Corporation
National Ballet of Canada Crown Foundation
North East Community Care Access Centre
North East Local Health Integration Network
North Simcoe Muskoka Community Care Access Centre
North Simcoe Muskoka Local Health Integration Network
North West Community Care Access Centre
North West Local Health Integration Network
Northern Ontario Grow Bonds Corporation
Ontario Agency for Health Protection and Promotion

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* Dates in parentheses indicate fiscal periods ending on a date other than March 31.

Ontario Capital Growth Corporation
Ontario Foundation for the Arts
Ontario French-language Educational Communications Authority
Ontario Health Quality Council
Ontario Infrastructure Projects Corporation
Ontario Lottery and Gaming Corporation
Ontario Mortgage Corporation
Ontario Pension Board (December 31)*
Ontario Power Authority (December 31)*
Ontario Power Generation Inc. (December 31)*
Ontario Tourism Marketing Partnership Corporation
Ontario Trillium Foundation
Ottawa Convention Centre Corporation
Owen Sound Transportation Company Limited
Royal Botanical Gardens Crown Foundation
Royal Ontario Museum
Royal Ontario Museum Crown Foundation
Science North
Shaw Festival Crown Foundation
South East Community Care Access Centre
South East Local Health Integration Network
South West Community Care Access Centre
South West Local Health Integration Network
Stadium Corporation of Ontario Limited
Stratford Festival Crown Foundation
Toronto Central Community Care Access Centre
Toronto Central Local Health Integration Network
Toronto Islands Residential Community Trust Corporation
Toronto Symphony Orchestra Crown Foundation
Toronto Waterfront Revitalization Corporation
Trent University Foundation
Trillium Gift of Life Network
University of Ottawa Foundation
Walkerton Clean Water Centre
Waterfront Regeneration Trust Agency
Waterloo Wellington Community Care Access Centre
Waterloo Wellington Local Health Integration Network

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* Dates in parentheses indicate fiscal periods ending on a date other than March 31.

Note:

The following changes were made during the 2009/10 fiscal year:

Addition:
Human Rights Legal Support Centre
Owen Sound Transportation Company Limited
Deletion:
Greater Toronto Transit Authority

Exhibit 3

Treasury Board Orders

Under subsection 12(2)(e) of the *Auditor General Act*, the Auditor General is required to annually report all orders of the Treasury Board made to authorize payments in excess of appropriations, stating the date of each order, the amount authorized, and the amount expended. These are outlined in the following table. While ministries may track expenditures related to these orders in more detail by creating accounts at the sub-vote and item level, this schedule summarizes such expenditures at the vote and item level.

Ministry	Date of Order	Authorized ($)	Expended ($)
Aboriginal Affairs	Feb. 23, 2010	620,000	570,000
	Mar. 11, 2010	612,000	590,732
	Mar. 31, 2010	5,000	4,000
		1,237,000	**1,164,732**
Agriculture, Food and Rural Affairs	May 28, 2009	14,740,000	14,740,000
	Aug. 20, 2009	1,041,109,800	858,486,864
	Jan. 27, 2010	30,000,000	15,560,264
		1,085,849,800	**898,787,128**
Attorney General	Aug. 26, 2009	15,000,000	15,000,000
	Dec. 10, 2009	600,000	599,963
	Dec. 10, 2009	470,100	38,879
	Feb. 18, 2010	5,512,900	4,281,634
	Mar. 11, 2010	3,157,600	3,157,600
	Mar. 11, 2010	26,010,300	24,143,411
		50,750,900	**47,221,487**
Cabinet Office	Sep. 17, 2009	720,500	–
	Nov. 12, 2009	200,000	–
	Jan. 14, 2010	1,000,000	–
	Mar. 15, 2010	150,000	–
		2,070,500	**–**
Children and Youth Services	Jun. 17, 2009	1,081,300	1,081,300
	Jun. 17, 2009	15,430,000	13,430,000
	Dec. 10, 2009	6,133,000	6,122,513
	Jan. 18, 2010	485,000	–
	Jan. 21, 2010	23,900,000	23,900,000
	Feb. 18, 2010	15,608,900	15,608,900
	Apr. 15, 2010	15,582,000	15,068,833
		78,220,200	**75,211,546**

Ministry	Date of Order	Authorized ($)	Expended ($)
Citizenship and Immigration	Feb. 18, 2010	609,000	609,000
	Mar. 11, 2010	793,000	471,598
		1,402,000	**1,080,598**
Community and Social Services	Jun. 17, 2009	11,380,000	11,380,000
	Sep. 3, 2009	2,000,000	–
	Dec. 10, 2009	12,185,600	12,177,654
	Jan. 21, 2010	351,400	243,349
	Feb. 24, 2010	7,080,000	6,012,814
	Mar. 5, 2010	9,800,000	6,500,000
	Mar. 11, 2010	54,322,600	43,670,610
		97,119,600	**79,984,427**
Community Safety and Correctional Services	May 28, 2009	9,600,000	–
	Feb. 18, 2010	15,075,000	11,435,404
	Mar. 11, 2010	37,499,200	31,973,046
	Mar. 11, 2010	2,057,100	1,420,658
	Mar. 11, 2010	3,246,400	2,927,908
		67,477,700	**47,757,016**
Consumer Services	Dec. 10, 2009	165,100	–
	Dec. 10, 2009	438,200	–
		603,300	**–**
Culture	Jun. 15, 2009	1,000,000	1,000,000
	Jul. 16, 2009	3,567,000	1,985,405
	Oct. 22, 2009	450,000	450,000
	Mar. 11, 2010	808,100	650,887
	Mar. 25, 2010	6,000,000	–
		11,825,100	**4,086,292**
Economic Development and Trade	Mar. 12, 2010	**2,314,700**	**–**
Education	Oct. 22, 2009	5,475,900	–
	Nov. 19, 2009	400,000	390,086
	Mar. 3, 2010	480,500	–
		6,356,400	**390,086**
Energy and Infrastructure	Jul. 16, 2009	1,500,000	–
	Aug. 20, 2009	3,918,300	–
	Dec. 10, 2009	13,000,000	–
	Mar. 11, 2010	22,719,300	17,396,986
	Mar. 11, 2010	2,101,191,300	–
	Mar. 12, 2010	1,448,300	1,448,300
	Mar. 25, 2010	282,747,800	–
	Apr. 12, 2010	3,459,300	–
	Apr. 15, 2010	243,916,200	–
		2,673,900,500	**18,845,286**

Ministry	Date of Order	Authorized ($)	Expended ($)
Environment	Sep. 17, 2009	5,938,500	2,918,272
	Oct. 22, 2009	29,200,000	29,032,109
	Dec. 10, 2009	500,000	–
	Feb. 18, 2010	7,454,500	6,286,159
		43,093,000	**38,236,540**
Finance	Jul. 27, 2009	360,000	–
	Sep. 16, 2009	257,400	–
	Sep. 17, 2009	710,800	–
	Oct. 27, 2009	1,000,000	1,000,000
	Nov. 19, 2009	3,494,000	–
	Nov. 19, 2009	581,000	446,688
	Dec. 7, 2009	601,000	–
	Jan. 28, 2010	2,169,000	1,577,968
	Mar. 11, 2010	912,725,500	–
	Mar. 25, 2010	500,000,000	499,985,192
	Mar. 25, 2010	4,493,362,300	4,493,362,299
	Apr. 15, 2010	355,000,000	353,000,000
	Apr. 15, 2010	298,251,500	–
	Apr. 19, 2010	700,000	700,000
		6,569,212,500	**5,350,072,147**
Government Services	May 28, 2009	24,500,000	24,500,000
	Sep. 17, 2009	24,343,000	–
	Oct. 22, 2009	1,438,200	–
	Oct. 27, 2009	4,000,000	3,963,611
	Nov. 19, 2009	8,098,000	–
	Dec. 10, 2009	9,802,000	–
	Dec. 10, 2009	1,697,900	1,697,900
	Dec. 10, 2009	2,665,200	2,665,200
	Dec. 10, 2009	400,000	400,000
	Dec. 10, 2009	974,800	974,800
	Feb. 10, 2010	777,000	734,056
	Feb. 25, 2010	7,528,400	3,046,019
	Mar. 11, 2010	3,400,000	3,005,236
	Mar. 11, 2010	4,140,000	1,804,971
	Mar. 18, 2010	3,456,000	–
	Apr. 15, 2010	472,300	432,002
		97,692,800	**43,223,795**
Health and Long-Term Care	Dec. 7, 2009	3,345,300	2,827,300
	Dec. 10, 2009	944,800	828,142
	Feb. 18, 2010	760,767,500	760,176,250
	Mar. 11, 2010	269,628,100	257,154,560
	Jul. 7, 2010	1,790,000	789,103
		1,036,475,700	**1,021,775,355**

Exhibit 3

Ministry	Date of Order	Authorized ($)	Expended ($)
Health Promotion	Apr. 9, 2009	3,000,000	–
	Jun. 24, 2009	8,582,700	8,582,700
	Aug. 20, 2009	192,620,100	41,666,596
		204,202,800	**50,249,296**
Labour	Feb. 16, 2010	1,071,000	120,451
	Feb. 18, 2010	140,000	135,652
		1,211,000	**256,103**
Municipal Affairs and Housing	Apr. 30, 2009	233,120,000	231,326,497
	Sep. 30, 2009	1,340,000	1,340,000
	Mar. 11, 2010	5,150,000	4,390,649
		239,610,000	**237,057,146**
Natural Resources	Aug. 20, 2009	340,000	339,000
	Nov. 19, 2009	8,200,000	–
	Apr. 15, 2010	8,371,100	7,544,379
	Apr. 15, 2010	3,400,000	–
	Apr. 15, 2010	1,600,000	1,118,397
	May 20, 2010	295,000	–
		22,206,100	**9,001,776**
Northern Development, Mines and Forestry	Oct. 27, 2009	6,400,000	6,196,948
	Dec. 10, 2009	345,000	340,570
	Feb. 18, 2010	4,800,000	3,566,346
		11,545,000	**10,103,864**
Office of Francophone Affairs	Dec. 10, 2009	16,000	–
	Dec. 10, 2009	5,700	–
		21,700	**–**
Research and Innovation	Jul 16, 2009	**1,800,000**	**–**
Revenue	Jun. 17, 2009	24,217,000	1,166,600
	Jan. 28, 2010	22,386,300	16,734,542
	Mar. 23, 2010	1,837,800	–
		48,441,100	**17,901,142**
Tourism	Feb. 17, 2010	5,857,300	5,857,300
	Mar. 11, 2010	3,608,000	3,117,587
		9,465,300	**8,974,887**
Training, Colleges and Universities	Jul. 16, 2009	688,500,000	276,278,373
	Sep. 17, 2009	78,000,000	–
	Oct. 22, 2009	9,396,600	9,396,600
	Oct. 22, 2009	8,653,000	–
	Dec. 7, 2009	500,000	500,000
	Dec. 10, 2009	4,914,500	1,387,600
	Mar. 11, 2010	1,200,000	1,181,039

Ministry	Date of Order	Authorized ($)	Expended ($)
Training, Colleges and Universities (continued)	Mar. 29, 2010	3,445,100	2,221,161
	Apr. 19, 2010	50,000,000	43,578,199
		844,609,200	**334,542,972**
Transportation	Jun. 17, 2009	35,000,000	1,000,000
	Oct. 21, 2009	5,000,000	5,000,000
	Dec. 7, 2009	450,000	450,000
	Feb. 18, 2010	48,000,000	32,755,332
	Mar. 11, 2010	2,006,000	2,006,000
	Mar. 25, 2010	173,700,000	91,084,764
	Mar. 25, 2010	15,986,200	12,952,995
	Mar. 26, 2010	12,600,000	6,672,850
		292,742,200	**151,921,941**
Total Treasury Board Orders		**13,501,456,100**	**8,447,845,562**

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